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ABSTRACT

This consumer education capsule focuses on credit financing, with emphasis on the rights and responsibilities of using credit. It is intended for use in conjunction with seventh or eighth grade mathematics textbooks when teaching computation of simple interest. Activities require from four to six hours of instructional time. Specific objectives are to help students learn to compute simple interest, find the actual cost of credit, understand various uses of credit, critically read charge account statements, examine personal attitudes toward credit, and understand how to use credit wisely. Students are involved in a variety of activities including computing interest problems, conducting interviews with credit card holders and finance people in their communities, defining vocabulary terms, taking quizzes, discussing credit issues in class, analyzing advertising claims, and creating credit-related charts, graphs, and posters. Answer keys, objectives, worksheets, and discussion questions are presented in the teacher's guide. (DB)

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TEACHER'S GUIDE

BUY NOW

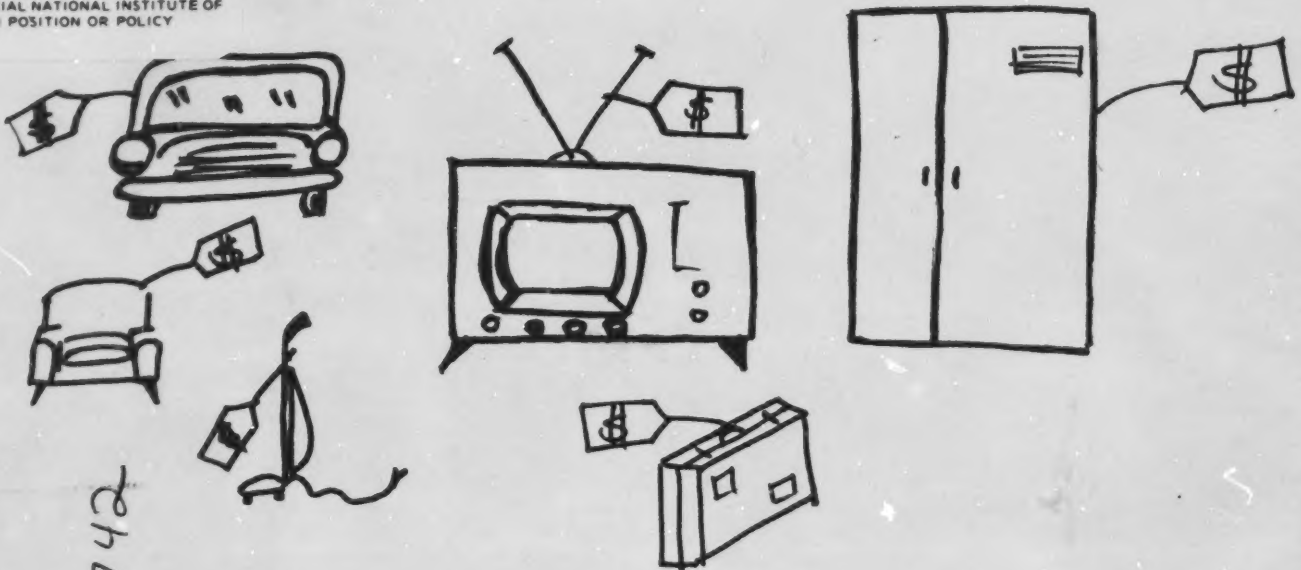
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PAY LATER?

Written by
Cynthia Estes
for

PROJECT COST
USD 443

Easton, Kansas
A Title IV C Project

PACKAGE RESUME FORM

Publication Date Fall, 1978 Level/Subject Seventh or Eighth Math

Title Buy Now - Pay Later?

Author Cynthia Estes

Abstract Buy Now - Pay Later? is a consumer education capsule
designed to be used in conjunction with the seventh or eighth grade
math text when teaching the computation of simple interest. The
capsule is designed to take from four to six hours of instructional
time.

Using credit entails rights and responsibilities to be informed
about its use. This concept is the primary idea of this capsule.
Secondary ideas include knowledge of the vocabulary of figuring
interest, the computation of simple interest, finding the actual
cost of credit, critical reading of charge account statements,
understanding why people use credit, examining the student's
attitude toward credit, and examining the wise use of credit.

Students are asked to compute problems, conduct interviews
listen to teacher-made tapes, and examine their own attitudes toward
credit in order to master the concepts covered. While the capsule
does suggest some outside materials, it can be completed using
only the material included in the body of the capsule.



A SPECIAL THANK - YOU!!!

BECAUSE YOU GAVE ME SO MUCH
GOOD ADVICE WHILE I WAS WRITING
THIS CAPSULE, I MUST SAY A
SPECIAL THANK-YOU TO
MRS. LUANNE KIETZMANN, THE
TIME YOU SPENT IN READING THIS
CAPSULE FOR ACCURACY AND CONTENT,
THE SUGGESTIONS YOU MADE AND
YOUR HELP WITH THE POST-TEST
MADE IT BETTER.

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OBJECTIVES

Upon completing this capsule you will be able to:

- identify the rate, time, principal and interest in a word problem
- compute simple interest.
- compute the amount of money to be repaid on a loan.
- identify the components on a charge account statement
- compute the monthly service charge on a charge account statement
- identify the kinds of credit cards that people use most often.
- explain why people use credit cards.
- explain your attitude toward credit.
- identify concepts involved in using credit wisely.

GET THE PRE-TEST FROM YOUR TEACHER.

USING THE STUDENT RECORD SHEET

The Record Sheet is designed to help the teacher and student record progress in the learning capsule. A copy of the record sheet may be included in the student capsule. The student may use it to check off activities as he finishes them and to see which activities still need to be completed. The teacher may also keep a copy of the record sheet to record scores on pre and post-tests and self-checks. Comments may also be made about the students's performance. The post-test will indicate to the teacher and student which sections need to have alternative activities completed.

A completed record sheet is included in the teacher's guide.

ACTIVITIES	✓ SECTIONS TO BE COMPLETED	✓ COMPLETED	COMMENTS
Pre-test Score	+ 19		
Section 1	✓		
*Activity 1		✓	
Activity 2		✓	
Activity 3			
Activity 4		✓	
Self-Check		- 0	
Section 2	✓		
Activity 1		✓	
Activity 2		✓	
Activity 3		✓	
Activity 4			
Activity 5		✓	
Activity 6		✓	
Activity 7			
Activity 8			
Self-Check		- 0	
Section 3	✓		
*Activity 1		✓	
*Activity 2		✓	
*Activity 3		✓	
Activity 4		✓	
Activity 5		✓	Phil really enjoyed this.
Activity 6			
Activity 7			
Self-Check		- 0	
Section 4	✓		
Activity 1		✓	
Activity 2		✓	
Activity 3			
Activity 4		✓	Did an excellent job on this.
Activity 5			
Self-Check		Good	
Post-test Score	- 0		
Quest			

SPECIAL INSTRUCTIONS AND SUGGESTIONS

This capsule has been color coded to make it easier for teacher and student to keep track of the student's progress through the capsule. Several copies of the student booklet were made available in a central location in the classroom. Each section of the capsule was done on a different color of paper. Worksheets for the section were kept in a central location. Dividers for the worksheets were the same color as the section pages of the student's capsule. All assessments were duplicated on yellow paper and kept in a file at the teacher's desk.

Teachers who choose to do so may include copies of the worksheets in the students' capsules instead of setting up a file in the classroom.

STUDENTS MAY NEED THESE MATERIALS TO COMPLETE THE ACTIVITIES IN THIS CAPSULE.

dictionaries

drawing paper

Vox-Com, Tutorette or Language Master cards & machine (optional)

cassette player

red pencil

magazines

poster board or tagboard

felt markers or crayons

charge account statements

graph paper

filmstrip previewer

glue

scissors

rulers

pencils

notebook paper

copies of each worksheet

copies of the read-along booklet, No Money Down.

Basic Mathematics Kit C worksheets C-11-5 and C-11-6 (optional)

Sound filmstrip "Loans" from Credit Buying Series by Interpretive Education

Section 1

Activity 4

DIRECTIONS FOR VOX-COM CARDS

- (1) Read the cards with the numeral 1. Record the sentence on the card.
- (2) Read the card with the numeral 2. Record the correct word. Check your answer by holding the card over the card with the numeral 1. If the cuts match, the answer is correct. If you answered incorrectly, go back and record the right answer.
- (3) Which word is the correct term for the underlined information on the 3 cards? Record your answer. Check your answers as you did on the 2 cards. Be sure to correct any mistakes you make.

time - the length of time that you have to repay the loan.

✓

②

The length of time you have to repay the loan.

✓

③

Pamela borrowed \$800 at 7% for 1 year.

V

9

①

○ principal - the actual amount of money that is borrowed.

V

②

○ The actual amount of money that is borrowed.

V

③

Steve borrowed \$650 at 9% for 3 months.

V
①
10
interest - the cost of using
someone else's money.

V
②
The cost of using someone
else's money.

V
③
Charles repaid \$350 + \$34
on a loan he made at the
bank.

①

✓
rate - the percentage of interest that the lender will charge.

②

✓
The percentage of interest that the lender will charge.

③

✓
Sammy borrowed \$75 at 2% for 3 months.

SCRIPT FOR TAPE - NO MONEY DOWN

Note to teacher: This tape has an accompanying read-along book. Each student should have a copy of the booklet as they listen to the tape.

No money down. Just \$6 a month. Sounds good doesn't it? \$6 isn't much to add to your budget. But is buying on the installment plan the wisest thing to do? Let's find out. As you listen to the tape, follow along in the booklet. When you hear the click (click sound) turn the page. CLICK

Here's an ad like many you have probably seen before. Looks good, doesn't it. But there's some information missing from the ad. We know how much the item cost originally. We also know how much must be paid each month.

(CLICK)

We do not know how many months we will be repaying the debt or the total amount that will be paid. Before you buy on installments you should have all of the information that you need in order to know exactly what you are paying for an item. In this way you can shop around for the best credit plan.

(CLICK)

Let's look at some examples that will show you how to find exactly what you are paying.

Charles saw this ad in the paper. Let's see how much Charles would pay for buying the stereo on the installment plan?

(CLICK)

Charles pays \$12 a month for 12 months, so we multiply $\$12 \times 12$ months. That equals \$144. He paid \$10 down at the time he bought the stereo, so we add \$10 to the \$144 he will pay over a 12 month period. This means that he will actually pay \$154 for the stereo. Since the stereo cost \$119.88 and he paid \$154, the difference in the two prices is the amount of interest that he pays. $\$154$ minus $\$119.88$ equals \$34.12. \$34.12 is the interest that Charles will pay if he buys the stereo in installments.

Installment purchases cost more than cash purchases because the seller has his money tied up for some time. He has the expense of collecting the money in small amounts over a period of time and of keeping records of what has been paid. Sometimes he loses money because he has debts that he cannot collect.

(CLICK)

A person buying on installments or credit is required to sign an agreement known as a contract. The buyer agrees to make payments promptly, and he in turn is allowed to use the item. However, the item does not actually belong to the buyer until all of the payments are made. If he does not make his payments promptly, the seller has a right to take the item back (Repossess it.).

(CLICK)

A wise consumer knows he must fulfill any credit contracts that he signs. You should not sign any contract that you do not completely understand. If there are parts that you do not understand, you should have them explained to you by a lawyer or by someone who knows about such agreements.

(CLICK)

The smart consumer will only buy on installment those things which may be used for several years. You don't want to be paying for something after it has already worn out.

The wise buyer should be careful not to overbuy. It is easy to find yourself making more installment payments than you can really afford.

(CLICK)

In recent years state and federal laws have been passed which protect both the consumer and the businessman who gives credit. In 1968 Congress passed the Truth-in-Lending Act. This law does not tell businesses how much interest they may charge, but it does require them to tell the buyer about credit costs. The Truth- in - Lending Law requires that the business tell the customer

- . the annual rate of interest.
- . the annual amount of dollars of interest.
- . the total number of dollars that must be paid as a finance charge on an installment sale.

This information must appear on the installment contract that the borrower signs, and he must be TOLD this information before he signs.

(CLICK)

The Truth-in-Lending Act helps the consumer compare interest rates and interest charges when a credit purchase is necessary. You are better able to compare interest charges between banks, credit unions, finance companies and other businesses. Shopping around for the best interest rates can save you money.



TERMS USED IN COMPUTING INTEREST

In the problems below, circle the information that tells you the amount of interest, underline the amount of the principal, draw a box around the rate and underline the time in red. In some of the problems not all of the information will be given. There might be some problems that give the same information twice. If so, mark it twice.



1. MARSHA BORROWED \$225 FROM THE BANK. SHE AGREED TO REPAY THE LOAN AT 8% IN 12 MONTHLY PAYMENTS.
2. JIM BORROWED \$650 AT 6% FOR 3 YEARS. AT END OF 3 YEARS HE HAD REPAID \$650 AND AN ADDITIONAL \$117.
3. DAVE LOANED \$50 TO HIS FRIEND JOE AT 6%. JOE AGREED TO REPAY THE LOAN IN 6 MONTHS. AT THE END OF SIX MONTHS JOE REPAID THE \$50 AND AN ADDITIONAL \$1.50.

Give this paper to your teacher and go on to activity 2,3 or 4 on page 5 .

Section Two

Activity Key

1. \$1970 needed for two years
\$709.20 interest
\$2679.20 amount he will repay
2. \$12.72 interest
\$436.72 amount she will repay
3. \$1.54 interest
4. \$1047.96 in one year
\$1175.88 in three years
It will be cheaper if he repays in 1 year.
He will save \$127.92
5. \$185.40
6. \$18.22
7. Answers will vary.
8. Student makes poster.

Borrower(s') Name(s) Address(es)	Lender's Name & Address	The Consumer State Anywhere, KS 89485	36
--	----------------------------------	--	----

The Undersigned Borrower (s) (if more than one, jointly and severally, and hereinafter whether one or more, called borrower), promises to pay to the order of the above named Lender (at the Lender's address shown above) the Amount Financed of:

DOLLARS.

with interest from _____ until fully paid at the rate of _____

percent per annum in _____ payment(s) as follows: & _____ on _____, 19 _____

\$ _____ on _____ 19 _____, \$ _____ on _____ 19 _____

Lender may (when and where legally permissible) charge this Note against Borrower's deposits and property maintained with or held by Lender. When applicable, this Note is also secured by the unearned premiums and proceeds of any insurance policy required or purchased hereunder. This Note is:

☐ Not further secured. ☐ Secured by a Security Agreement dated _____ 19 _____. The Security Agreement may secure future and other indebtedness and provides for a Security Interest under the Uniform code in after-acquired property (no after-acquired property Security Interest attaches to consumer goods other than accessions unless the Borrower acquired rights in them within 10 days after the Secured Party gives value) and covers the following property:

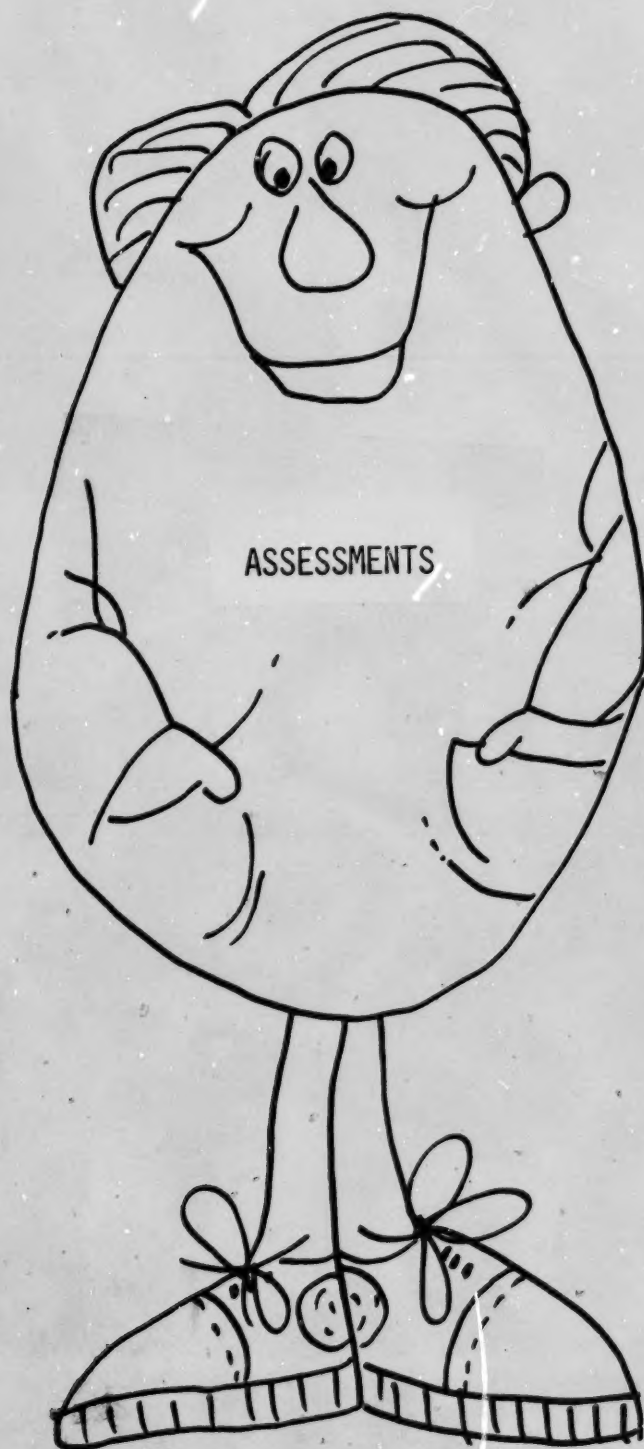
1. PROCEEDS \$ _____	2. FILING FEES \$ _____	3. CR. LIFE INS. \$ _____	4. A&H INS. \$ _____	5. \$ _____	6. AM. FINANCED \$ _____
7. FINANCE CHARGE \$ _____	8. TOTAL OF PAYMENTS \$ _____	ANNUAL PER- CENTAGE RATE _____%			

NOTICE TO CONSUMER: 1. Do not sign this Agreement before you read it. 2. You are entitled to a copy of this Agreement. 3. You may prepay the unpaid balance at any time without penalty. By signing below, the Borrower(s) signs this Note & Disclosure, agrees to the Terms and Conditions on the reverse side hereof and acknowledges receipt of a copy hereof on its inception date.

Over 5,000.00

Purpose Of Credit: _____ X _____

Lenders Signature _____ XX _____



ASSESSMENTS

Self-checks may be graded by the teacher or by the student at the teacher's discretion. Both the pre-test and the post-test, however, are designed to be evaluated by the teacher.

Pre-test and Post-test

There is space on the Student Record Sheet for recording these scores.

Self-Checks

Section One: The student should complete the tape and accompanying worksheet, "Reviewing Interest Terms". A key to this worksheet is included in the teacher's manual.

Section Two: The student is asked to solve five problems. A copy of the Self-Check and its answer key are included in the teacher's manual.

Section Three: The student should complete the worksheet, "Reading a Charge Account Statement". A copy of this worksheet and a key are found in the teacher's manual.

Section Four: Ask the student to make a poster illustrating the concepts of using credit wisely. The concepts covered in this capsule include:

Before you buy on credit you should have all of the information you need in order to know exactly what you are paying.

Buying on credit costs more than paying cash for the same item.

A person who uses credit is required to sign a contract agreeing to make payments promptly in return for use of the item for which he is paying.

Use credit for long-lasting items such as appliances, cars,
etc.

Do not overuse credit.

The poster should include at least 5 of the concepts listed above.

Tape Script for "Reviewing Interest Terms"

Let's review what you've been learning about borrowing money. As you listen to the tape, you will be asked to fill in some blank spaces on the worksheet that goes with it. Be sure that you have the correct worksheet. It should have the letter B in the upper right corner. Got the right sheet? OK, let's begin.

Suppose you borrow money to buy a motorcycle that costs \$1500. The amount of money that the bank gives you (\$1500) is the principal. Underline the word PRINCIPAL on the left side of your paper. If you agree to pay the loan back in two years, that is the time that you have use of the money. Underline the word TIME on the left side of your paper. You agree to pay 8% interest. 8% is the interest rate. Circle the word RATE. At the end of two years you have paid back the \$1500 plus \$240. This \$240 is the interest on your note. It is the money you paid for using the bank's money for 2 years. Put a star on the right of the word INTEREST on the worksheet.

Let's use the worksheet to review these terms. As I describe a situation, write the correct term in the blank beside the numeral. Ready? Here's number one. Janet borrowed \$600 at 5% for sixty days. Sixty is the numeral on your paper. Sixty days is the time, so you should write TIME on the line beside 60.

Let's do another example. Remember, you are to write the correct term on the line beside the numeral. If you need more time to answer the question, stop the tape until you are ready to go on. Let's begin. Joe borrowed \$200 at 7% for 90 days. He repaid \$200 plus \$4.67. What does the 7 tell you? (PAUSE) You should have written RATE on the line.

If you answered the question correctly, you are ready to go on with the tape. If you missed the answer, go to your teacher and ask for some help before you continue with the tape. DO NOT GO ON UNTIL YOU UNDERSTAND WHAT YOU ARE DOING COMPLETELY.

(PAUSE)

Let's continue.

Number 3. Frank borrowed \$925 at 3% for 30 days. He repaid \$925 plus \$2.32.

(PAUSE)

Number 4. Cathy borrowed \$360 for 1 year. She repaid \$360 plus \$21.60.

(PAUSE)

Number 5. Superman borrowed \$728 at $4\frac{1}{2}\%$ for 2 years. He repaid \$728 plus \$65.52.

(PAUSE)

Number 6. Jeff borrowed \$520 for 3 years at 7%.

(PAUSE)

Number 7. Chris borrowed \$650 at 6% for 3 years. He repaid \$650 plus \$117.

(PAUSE)

Number 8. Peppermint Patty borrowed \$460 to buy Charlie Brown a birthday present. She borrowed it at 9% for 90 days.

(PAUSE)

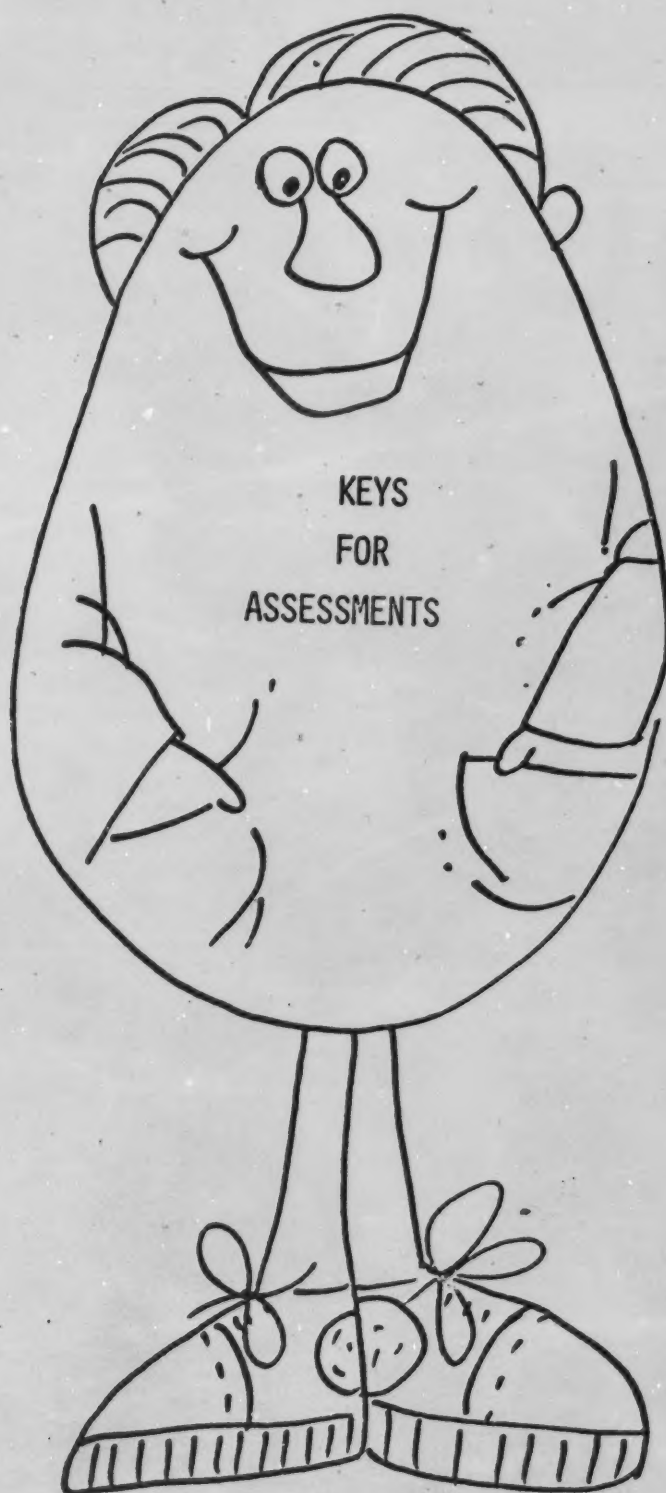
Number 9. Barb borrowed \$225 at 8% for 1 year. She repaid \$225 plus \$18.

(PAUSE)

Number 10. Cheryl borrowed \$125 at $6\frac{1}{2}\%$ for 3 years. She repaid the amount of the note plus \$24.39.

(PAUSE)

Now that you have completed the worksheet., rewind the tape, turn off the recorder and take your paper to your teacher for checking.



Pre-test Key**Section One**

1. a
2. b
3. c
4. d

Section Two

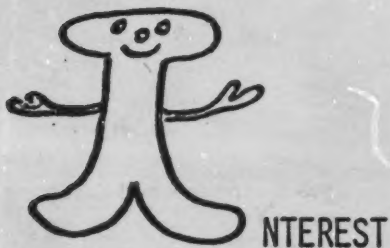
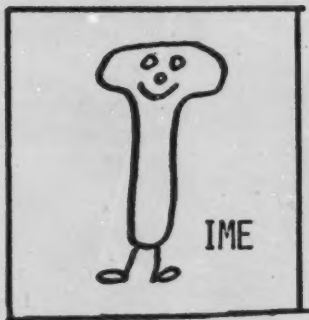
1. d
2. b
3. b
4. c

Section Three

1. October
2. \$186.99
3. None
4. 1.5%
5. \$2.70
6. oil company, department store, bank

WORKSHEET
REVIEW OF INTEREST TERMS

B 55



1. 60 time
2. 7 rate
3. 925 principal
4. \$21.60 interest
5. 728 principal
6. 3 time
7. 117 interest
8. 9 rate
9. 1 time
10. \$24.39 interest

Self-Check**Section Two****KEY**

1. \$7.13
2. \$113.30
3. \$27,000
4. \$36.05
5. \$2.37

Post-Test Key**Section One**

1. c
2. a
3. d
4. b

Section Two

1. d
2. c
3. d
4. c

Section Three

1. June
2. \$281.27
3. \$31.05
4. 1.50%
5. \$5.04
6. oil company, department store, bank
7. Answers will vary, but accept answers that indicate that student understand why people use credit. Some answers might include: want to buy things but do not have cash, want to pay for items with one check.
8. Answers will vary.

Section Four

✓'s by the first, third and sixth statements

USING QUEST ACTIVITIES

Quest activities are for those students who wish to go beyond the material covered in the capsule. Students should contract for Quest activities. A completion date should be included in the contract. A sample contract is included, but you may prefer to use one of your own design.

Resources

Basic Mathematics Kit C. Charles E. Merrill Publishing Co., A Bell and Howell Co. : Columbus, Ohio 42216. Published in 1974. Kit includes 350 spirit masters on basic math subjects. Price for the entire kit in 1978 was \$79.00.

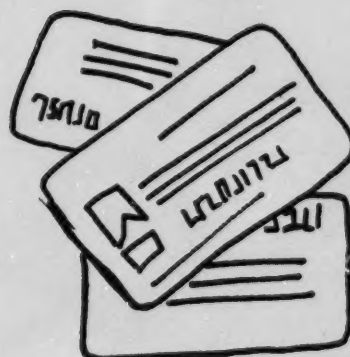
"Loans" from Credit Buying Series. Published in 1974 by Interpretive Education, 400 Bryant Street, Kalamazoom, Michigan 49001. This is a series of 5 filmstrips and cassettes. The price for the series in 1978 was \$82.95.

APPENDIX

This appendix contains copies of all worksheets and assessments. These copies may be used to make your own classroom quantity copies. To use, unstaple the sides of the teacher's guide and remove the worksheet and assessment pages. Restaple the remaining pages of the teacher's guide.

ACTIVITIES	✓ SECTIONS TO BE COMPLETED	✓ COMPLETED	COMMENTS
☒ Pre-test Score			
Section 1			
*Activity 1			
Activity 2			
Activity 3			
Activity 4			
Self-Check			
Section 2			
Activity 1			
Activity 2			
Activity 3			
Activity 4			
Activity 5			
Activity 6			
Activity 7			
Activity 8			
☐ Self-Check			
Section 3			
*Activity 1			
*Activity 2			
*Activity 3			
Activity 4			
Activity 5			
Activity 6			
Activity 7			
Self-Check			
Section 4			
Activity 1			
Activity 2			
Activity 3			
Activity 4			
Activity 5			
Self-Check			
☒ Post-test Score			
Quest			

NO MONEY DOWN!



SALE



REG. \$199.50

NOW \$150

Use our INSTANT CREDIT

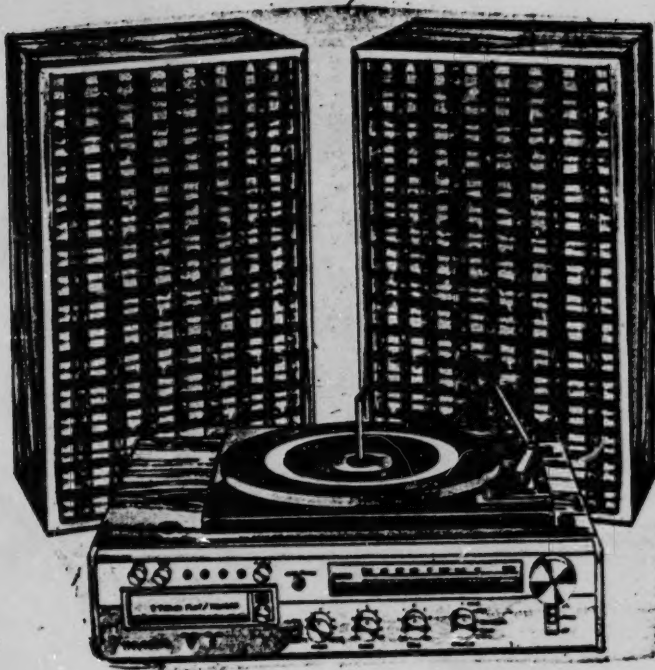
No money down-

\$6.00 a month



SALE

18



\$119.88

Easy Payment Plan

\$10 down -- \$12 per month for 12 mos.

THIS WEEK ONLY!

\$12 A MONTH **X** **12** MOS. = **144**

+

\$10 DOWN PAYMENT

\$154.00

-
119.88

\$34.12 INTEREST

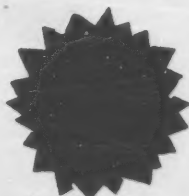


CREDIT CONTRACT

with the credit card and the credit card is the credit card
the credit card is the credit card and the credit card
the credit card is the credit card and the credit card

the credit card is the credit card
the credit card is the credit card
the credit card is the credit card
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Henry J. Jones

John J. Jones







TRUTH IN LENDING LAW

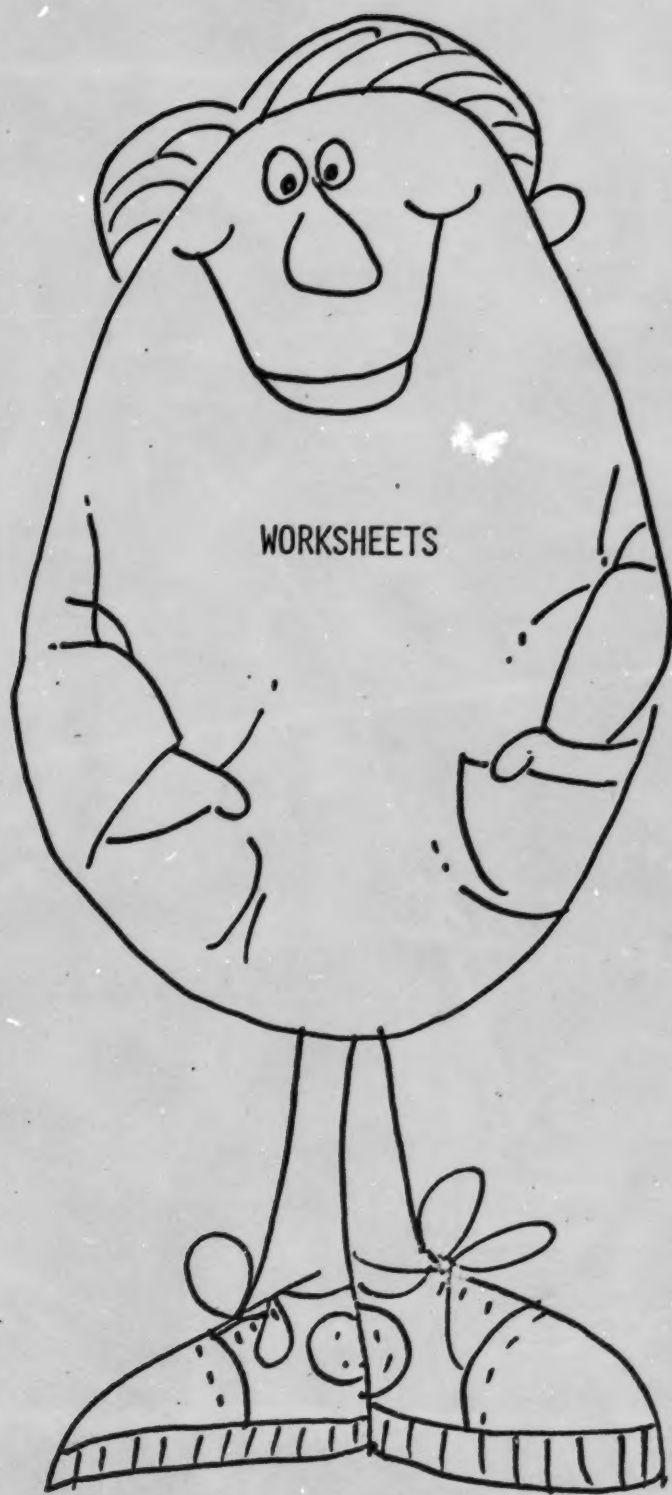
- THE ANNUAL RATE OF INTEREST
- THE ANNUAL AMOUNT OF \$\$ OF INTEREST
- THE TOTAL NUMBER OF \$\$ THAT MUST BE PAID AS A FINANCE CHARGE

THIS INFORMATION MUST APPEAR ON THE INSTALLMENT CONTRACT.

AND

BORROWER MUST BE TOLD THIS INFORMATION BEFORE HE SIGNS CONTRACT.





TERMS USED IN COMPUTING INTEREST

In the problems below, circle the information that tells you the amount of interest, underline the amount of the principal, draw a box around the rate and underline the time in red. In some of the problems not all of the information will be given. There might be some problems that give the same information twice. If so, mark it twice.



1. MARSHA BORROWED \$225 FROM THE BANK. SHE AGREED TO REPAY THE LOAN AT 8% IN 12 MONTHLY PAYMENTS.
2. JIM BORROWED \$650 AT 6% FOR 3 YEARS. AT END OF 3 YEARS HE HAD REPAID \$650 AND AN ADDITIONAL \$117.
3. DAVE LOANED \$50 TO HIS FRIEND JOE AT 6%. JOE AGREED TO REPAY THE LOAN IN 6 MONTHS. AT THE END OF SIX MONTHS JOE REPAID THE \$50 AND AN ADDITIONAL \$1.50.

Give this paper to your teacher and go on to activity 2,3 or 4 on page 5.

SECTION TWO WORK PAGE

Use this sheet to work the problems found on pages 10-11 of the capsule.

BE SURE TO SHOW YOUR WORK!

1. How much money does he need for school expenses
for the two years?

How much interest will he pay?

How much money will he have to repay the bank
for the loan?

2. How much interest will she pay?
What is the total amount of money that she will
repay?

3. How much interest will she pay?

4. How much must he repay?
If he agrees to repay the loan in 3 years,
how much does he repay?
Which way will be cheaper?
How much can he save?

5. If he borrows money to pay for it at 18%
interest for 4 months, how much will he
end up paying for a new costume?

6. How much money did she have to pay her brother?

7. Interest at bank
Interest at credit union
Interest at finance company

Section 3

Activity 2

READING CHARGE ACCOUNT STATEMENTS

1. What is the name of the company whose statement you are studying?

2. How many purchases were made during the month of the statement?

3. What was the previous balance? _____
4. What was the total amount of the new charges? _____
5. Were any payments made? _____
6. If so, what was the amount of these payments? _____
7. How much finance charge was added to the bill? _____
8. Is the finance charge correct? *** _____
9. What is the total amount now owed? _____
10. What is the yearly rate of the finance charge computed on the unpaid balance? _____
11. In order to avoid a finance charge, when must your payment be received by the company? _____
12. What is the least amount that should be paid? _____

*** To calculate the finance charge, take the previous balance and multiply by the monthly rate. What did you get?

Borrower(s') Name(s) Address(es)	Lender's Name & Address	The Consumer State Anywhere, KS 89485	30
--	----------------------------------	--	----

The Undersigned Borrower (s) (if more than one, jointly and severally, and hereinafter whether one or more, called borrower), promises to pay to the order of the above named Lender (at the Lender's address shown above) the Amount Financed of:

DOLLARS.

with interest from _____ until fully paid at the rate of _____

percent per annum in _____ payment(s) as follows: & _____ on _____, 19 _____

\$ _____ on _____ 19 _____, \$ _____ on _____ 19 _____

Lender may (when and where legally permissible) charge this Note against Borrower's deposits and property maintained with or held by Lender. When applicable, this Note is also secured by the unearned premiums and proceeds of any insurance policy required or purchased hereunder. This Note is:

☐ Not further secured. ☐ Secured by a Security Agreement dated _____ 19 _____. The Security Agreement may secure future and other indebtedness and provides for a Security Interest under the Uniform code in after-acquired property (no after-acquired property Security Interest attaches to consumer goods other than accessions unless the Borrower acquired rights in them within 10 days after the Secured Party gives value) and covers the following property:

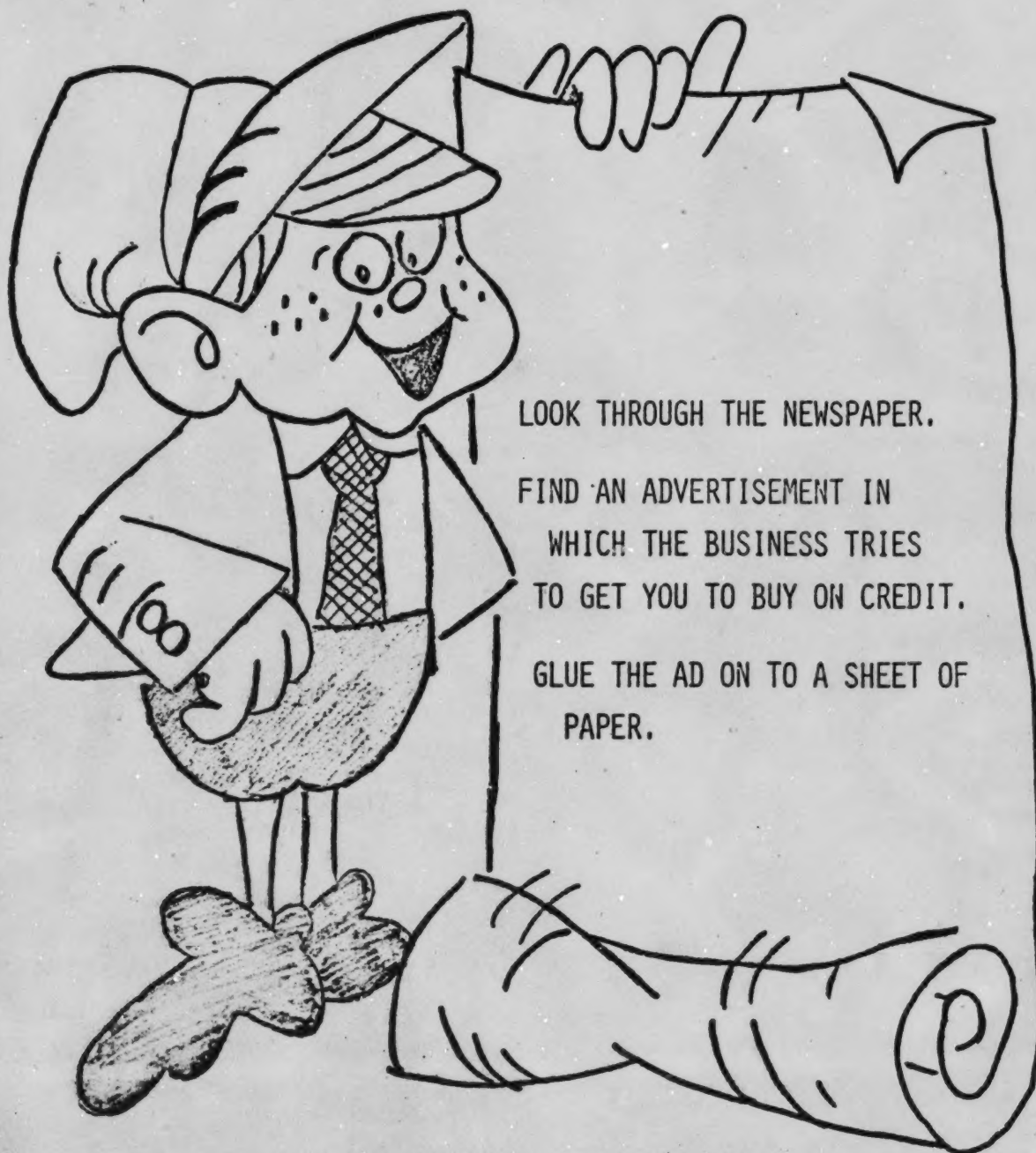
1. PROCEEDS \$	2. FILING FEES \$	3. CR. LIFE INS. \$	4. A&H INS. \$	5. \$	6. AM. FINANCED \$
7. FINANCE CHARGE \$	8. TOTAL OF PAYMENTS \$	ANNUAL PER- CENTAGE RATE %			

NOTICE TO CONSUMER: 1. Do not sign this Agreement before you read it. 2. You are entitled to a copy of this Agreement. 3. You may prepay the unpaid balance at any time without penalty. By signing below, the Borrower(s) signs this Note & Disclosure, agrees to the Terms and Conditions on the reverse side hereof and acknowledges receipt of a copy hereof on its inception date.

Over 5,000.00

Purpose Of Credit: _____ X _____

Lenders Signature _____ XX _____



WHAT REASONS DOES THE AD GIVE FOR USING CREDIT?

DOES THE AD GIVE ALL OF THE INFORMATION THAT YOU
NEED IN ORDER TO FIND HOW MUCH YOU ARE ACTUALLY
PAYING FOR THE ITEM?

WRITE YOUR ANSWERS TO THESE QUESTIONS ON THE
PAPER WITH THE AD FROM THE NEWSPAPER.

Make a chart. Fill it in. ³²

CASH

ADVANTAGES

WHEN YOU PAY CASH . . .

DISADVANTAGES

WHEN YOU PAY CASH . . .

CREDIT

ADVANTAGES

WHEN YOU BUY ON CREDIT . . .

DISADVANTAGES

WHEN YOU BUY ON CREDIT . . .

Section 4
Activity 3

INTERVIEW FORM

1. What kinds of credit have you used?

credit cards _____

loans for houses, cars, farm equipment, etc. _____

others _____

2. What are the dangers of using credit? _____

3. What are some advantages of using credit? _____

4. Why is it important to maintain a good credit rating? _____

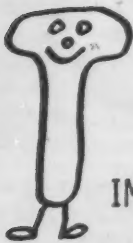
5. What do you have to do to maintain a good credit rating? _____

WORKSHEET
REVIEW OF INTEREST TERMS

B⁴⁵



RINCIPAL



IME



ATE



INTEREST

1. 60 _____

2. 7 _____

3. 925 _____

4. \$21.60 _____

5. 728 _____

6. 3 _____

7. 117 _____

8. 9 _____

9. 1 _____

10. \$24.39 _____

Section Two

Work these problems on a separate sheet of paper. You will turn in your paper to your teacher when you are finished. Be sure to show your work.

1. SNOOPY NEEDS A NEW DOG HOUSE, SO CHARLIE BROWN BORROWED \$75 FROM LUCY TO BUY LUMBER TO BUILD A NEW ONE. HE AGREED TO PAY $9\frac{1}{2}\%$ INTEREST ON THE MONEY. HOW MUCH INTEREST WILL HE PAY?
2. JOHN WANTED A NEW BIKE. HE FOUND THE ONE HE WANTED ON SALE FOR \$110. HE DID NOT HAVE ENOUGH MONEY SAVED FOR THE BIKE, SO HE DECIDED TO BORROW THE MONEY FROM HIS DAD. HIS DAD AGREED TO LEND HIM THE MONEY AT 3% INTEREST IF HE REPAID IT WITHIN ONE YEAR. HOW MUCH WILL JOHN HAVE TO PAY IN ALL FOR BUYING HIS BIKE ON CREDIT?
3. THE HUMPTY DUMPTY EGG COMPANY HAD INCREASED ITS BUSINESS. THE OWNER, MR. E.Z.YOLK, WANTED TO EXPAND THE PLANT. HE WENT TO THE BANK AND BORROWED \$ 30,000 AT 9% INTEREST. HE AGREED TO REPAY THE LOAN IN 10 YEARS. HOW MUCH INTEREST WILL HE HAVE PAID IN 10 YEARS?
4. JOE BORROWED \$35 AT 6% INTEREST FOR 6 MONTHS. HOW MUCH WILL HE HAVE TO REPAY IN ALL?
5. SAMANTHA BORROWED \$135 AT 7% FOR 3 MONTHS. HOW MUCH INTEREST WILL SHE PAY?

BEST COPY AVAILABLE

Payment in full of "New Balance" must be made by "Payment Due Date" to avoid additional **FINANCE CHARGES** except that Cash Advances and Old Merchandise Balances accrue **FINANCE CHARGES** to the date that payment in full is posted to the account.

MINIMUM PAYMENT DUE	PAST DUE AMOUNT	PAYMENT DUE DATE	NEW BALANCE	ACCOUNT NUMBER	PLEASE WRITE IN AMOUNT OF PAYMENT ENCLOSED
1	2	3	4	5	\$ 6

USE ENCLOSED ENVELOPE
AND MAKE PAYMENT TO

YOUR NAME **OU**
YOUR ADDRESS
YOUR CITY, STATE, ZIP

Payments received at the above mailing address before 10:00 a.m. will be credited to your account as of the date received. Payments received at any other location may be subject to a delay in crediting of up to 5 days after the date of receipt.

IF ADDRESS AS SHOWN IS
INCORRECT PLEASE
INDICATE CHANGE

PLEASE DETACH AND ENCLOSE
TOP PORTION WITH PAYMENT

SEND BILLING INQUIRIES TO THE ADDRESS SHOWN BELOW:

TELEPHONE NO. (See reverse side paragraph (1a))

ACCOUNT NUMBER	CREDIT	AVAILABLE CREDIT	DAYS IN BILLING CYCLE	STATEMENT DATE	PAYMENT DUE DATE	MINIMUM PAYMENT
5				10	3	

DATE OF TRANS.	POST	REFERENCE NUMBER	CHARGES, PAYMENTS, AND CREDITS SINCE LAST STATEMENT	AMOUNT
7				8

PREVIOUS BALANCE	PAYMENTS	CREDITS	TOTAL PURCHASES AND CASH ADVANCES	FINANCE CHARGE	NEW BALANCE
9	11		12	13	14

AN AMOUNT FOLLOWED BY A MINUS SIGN (-) IS A CREDIT OR A CREDIT BALANCE UNLESS OTHERWISE INDICATED.

Payment in full of "New Balance" must be made by "Payment Due Date" to avoid additional **FINANCE CHARGES** except that Cash Advances and Old Merchandise Balances accrue **FINANCE CHARGES** to the date that payment in full is posted to the account.

ANNUAL PERCENTAGE RATES	PERIODIC RATES ON TOTAL AVERAGE DAILY BALANCE UP TO RATE CHANGE POINT	PERIODIC RATES ON TOTAL AVERAGE DAILY BALANCE IN EXCESS OF RATE CHANGE POINT	AVERAGE DAILY BALANCE OF CASH ADVANCES AND CASH DISBURSALS	AVERAGE DAILY BALANCE OF CREDIT PURCHASES
	15			

NOTICE: See reverse side for important information.

SELF-CHECK FOR SECTION THREE

HERE IS A LIST OF SOME OF THE INFORMATION THAT A CHARGE ACCOUNT STATEMENT MAY GIVE YOU. BESIDE THE INFORMATION WRITE THE NUMBER FROM THE STATEMENT THAT MATCHES IT.

- _____ account number
- _____ amount of money you are paying this month
- _____ least amount of money you should pay this month
- _____ past due amount
- _____ date payment is due
- _____ annual and monthly percentage rates
- _____ amount you will owe after your payment this month
- _____ date that this statement was sent
- _____ dates that you used your charge account this month
- _____ amount of each thing that you charged this month
- _____ amount you owed last month
- _____ amount you paid on your account last month
- _____ total amount you charged this month
- _____ amount of finance charge
- _____ amount you now owe on your account

PRE-TEST
BUY NOW - PAY LATER?

Section One

Read the problem below. Match the letter of the interest term on the left with the correct answer.

THE INCREDIBLE HULK NEEDED MONEY FOR NEW SHIRTS. HE BORROWED \$134 AT 7% for 2 YEARS. AT THE END OF THAT TIME, HE HAD REPAID THE PRINCIPAL AND AN ADDITIONAL \$18.76

- | | | |
|-----------------------|-------|---------|
| a. principal | _____ | \$134 |
| b. rate of interest | _____ | 7% |
| c. time of the loan | _____ | \$18.76 |
| d. amount of interest | _____ | 2 |

Section Two

In the problems below, find the correct answer. Match the letter of the correct answer with the question. Be sure to show all of your work. You may work the problems on a separate sheet of paper, but be sure that you include this paper when you turn in your pre-test.

SANTA BORROWED \$1200 IN ORDER TO EXPAND HIS WORKSHOP BEFORE CHRISTMAS. HE AGREED TO REPAY THE LOAN AT 9½% OVER A 2 YEAR PERIOD.

- | | | |
|------------|-------|---|
| a. \$114 | _____ | How much interest did he pay? |
| b. \$1428 | _____ | What is the total amount he will repay? |
| c. \$22.80 | | |
| d. \$228 | | |

AT THE END OF TWO YEARS SANTA'S ELVES DEMANDED BETTER LIVING QUARTERS IN THEIR CONTRACT NEGOTIATIONS, SO SANTA WENT BACK TO THE BANK AND BORROWED \$2500. HIS INTEREST RATE REMAINED THE SAME - $9\frac{1}{2}\%$ - BUT HE DECIDED TO TAKE 3 YEARS TO REPAY THE LOAN.

- a. \$71.25 _____ How much interest will he pay on this loan?
- b. \$712.50 _____ What is the total amount he must repay on this loan?
- c. \$3212.50
- d. \$225

Section Three

Use the charge account statement below to answer these questions.

1. For what month is this statement? _____
2. What was the balance owed at the end of last month? _____
3. How much was charged during the month? _____
4. What is the monthly rate of interest? _____
5. Find the finance charge that will be added to the unpaid balance next month if a payment of \$10 is made. _____
6. List 3 different kinds of credit cards. _____

BEST COPY AVAILABLE

STATEMENT OF YOUR ACCOUNT

DO NOT RETURN THIS PORTION
KEEP IT FOR YOUR RECORDS

0000 03 0000 001600

117700351968001600804

ACCOUNT NUMBER		MONTHLY PAYMENT	AMOUNT PAST DUE	AMOUNT NOW DUE	PAYMENT DUE DATE
0000-0000		16.00	00.00	16.00	NOV 03 1978
DATE	TRANSACTION	AMOUNT ADDED		AMOUNT DEDUCTED	ACCOUNT BALANCE
SEP 78					186.99
To avoid additional FINANCE CHARGES, payment of New Balance must be received within 25 days of Closing Date: OCT 19, 1978			FINANCE CHARGE on balance of 186.99 2.80 New Balance 189.79		
Monthly Periodic Rate		FINANCE CHARGE		Annual Percentage Rate	
UNDER \$500	1.50%	OVER \$500	1.00%	UNDER \$500	18%
				OVER \$500	12%

BUY NOW - PAY LATER

Section One

In the problems below circle the letter of the best answer.

SUPERMAN NEEDED NEW COSTUMES. HE BORROWED MONEY FROM THE METROPOLIS CITY BANK. HE BORROWED \$248 AT 9% INTEREST. AFTER $1\frac{1}{2}$ YEARS HE HAD REPAID THE PRINCIPAL AND AN ADDITIONAL \$18.76.

1. What is the principal of the loan?
 - a. 9%
 - b. \$18.76
 - c. \$248
 - d. $1\frac{1}{2}$
2. What is the rate of interest?
 - a. 9%
 - b. \$18.76
 - c. \$248
 - d. $1\frac{1}{2}$
3. What is the time of the loan?
 - a. 9%
 - b. \$18.76
 - c. \$248
 - d. $1\frac{1}{2}$
4. How much interest did Superman pay?
 - a. 9%
 - b. \$18.76
 - c. \$248
 - d. $1\frac{1}{2}$

Section Two

50

In the problems below find the correct answer. Circle the letter of the correct answer. Be sure to show all of your work. You may work the problems on a separate sheet of paper, but you must turn in both papers when you are finished.

RANDY BORROWED \$1350 FOR REPAIRS ON HIS CAR. HE AGREED TO REPAY THE LOAN AT $8\frac{1}{2}\%$ OVER A TWO YEAR PERIOD.

1. How much interest did he pay?
 - a. \$1464.75
 - b. \$114.75
 - c. \$1579.50
 - d. \$229.50
2. What is the total amount he will repay?
 - a. \$1464.75
 - b. \$114.75
 - c. \$1579.50
 - d. \$229.50

AT THE END OF TWO YEARS RANDY DECIDED TO BUY A DIFFERENT CAR. HE WENT BACK TO THE BANK AND BORROWED \$2800. HE AGREED TO REPAY THIS LOAN AT $9\frac{1}{2}\%$ INTEREST, OVER A THREE YEAR PERIOD.

3. How much interest will he pay on this loan?
 - a. \$2800
 - b. \$266.00
 - c. \$532.00
 - d. \$798.00
4. What is the total amount that he must repay on this loan?
 - a. \$3066
 - b. \$2800
 - c. \$3598
 - d. \$3332

Section Three

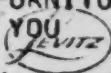
51

Use the charge account statement below to answer the following questions.

1. For what month is this statement? _____
2. What was the balance owed at the end of last month? _____
3. How much was added to the account during the month? _____
4. What is the monthly rate of interest? _____
5. Find the finance charge that will be added to the unpaid balance next month if a payment of \$15 is made. _____
6. List 3 different types of credit cards. _____

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TEAR HERE	ACCOUNT NUMBER C69 554 L1704 9	DUE DATE JUL 11 78	BILLING DATE JUN 15 78	PERIOD COVERED MAY 16-JUN 15
-----------	-----------------------------------	-----------------------	---------------------------	---------------------------------

DATE MO. DAY	TRANSACTION REFERENCE	PURCHASES AND DEBITS	PAYMENTS AND CREDITS
04 07	PURCHASE - FURNITURE	31.05	
06 09	PAYMENT - THANK YOU 		15.00
IF YOU PAY \$ 31.05 BY DUE DATE A CREDIT OF \$.52 WILL BE MADE FOR FINANCE AND INSURANCE CHARGES. \$750 CREDIT LINE- \$448 CREDIT AVAILABLE-MORE UPON REQUEST.			

BALANCE SUBJECT TO FINANCE CHARGE	DAYS IN PERIOD	PREVIOUS BALANCE	ADDED PURCHASES AND DEBITS	DEDUCTED PAYMENTS AND CREDITS	CODE	FINANCE CHARGE	ADDED INSURANCE CHARGES LIFE PROPERTY A & H	NEW BALANCE
30720	31	28127	3105	1500		536	28 00 00	30296

- NO ADDITIONAL **FINANCE CHARGE** ON THE NEW BALANCE IF PAYMENT OF THIS BALANCE IS RECEIVED AND NO NEW PURCHASES ARE MADE BY THE DUE DATE.
- IN DETERMINING THE **FINANCE CHARGE**, THE FOLLOWING MONTHLY PERIODIC RATES ARE APPLIED TO THE INDICATED PARTS OF THE BALANCE SUBJECT TO FINANCE CHARGE:

PART OF BALANCE SUBJECT TO FINANCE CHARGE	TO \$300	\$300 - \$1000	OVER \$1000
PERIODIC RATE(S)	1.75%	1.50%	1.20%
ANNUAL PERCENTAGE RATE(S)	21.00%	18.00%	14.40%

HOWEVER, IF THE NEXT TWO BLANKS ARE COMPLETED, A MINIMUM **FINANCE CHARGE** (INDICATED BY THE LETTER "M" IN THE CODE BOX) OF \$.50 IS ASSESSED WHEN THE BALANCE SUBJECT TO FINANCE CHARGE IS LESS THAN \$28.58.

• FOR ACCOUNT SERVICE OR BILLING STATEMENT INFORMATION CALL THE FOLLOWING TELEPHONE NUMBER.

913 888-8646 OR SEND INQUIRIES TO: P.O. BOX

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION.

OR-317 ADB/0-50 '75 LEVITZ

8. Would you buy a stereo on credit? Why or why not?

SECTION FOUR

Put a check (✓) by those ideas below which are important in using credit wisely.

_____ Buying on credit costs more than paying cash for the same item.

_____ You can buy anything you want on credit, because you only have to pay part of the bill each month.

_____ You can shop around for the best interest rate when buying an item on credit.

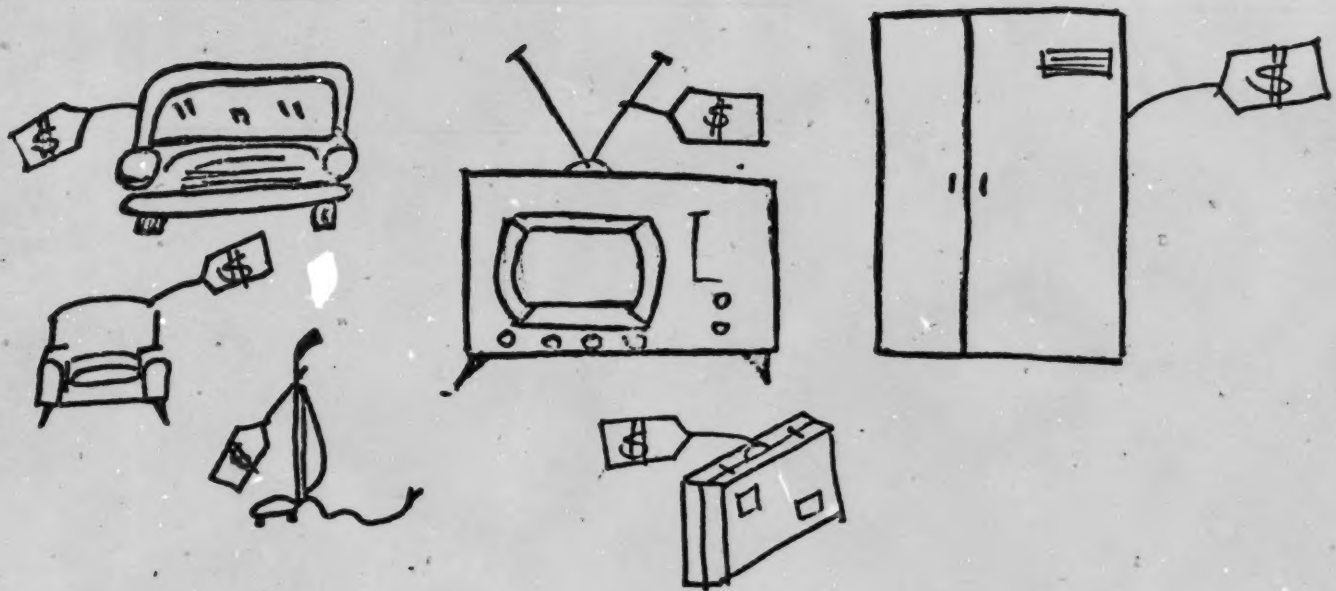
_____ Anyone can get a credit card.

_____ When you charge something on your credit card, you own it.

_____ When you sign a credit contract, be sure that you understand it.

_____ Buying groceries with Mastercharge is a good idea.

BUY NOW



Student Material

PAY LATER?

Written by
Cynthia Estes
for

PROJECT COST
USD 449

Easton, Kansas
A Title IV C Project

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A SPECIAL THANK - YOU!!!

BECAUSE YOU GAVE ME SO MUCH
GOOD ADVICE WHILE I WAS WRITING
THIS CAPSULE, I MUST SAY A
SPECIAL THANK-YOU TO
MRS. LUANNE KIETZMANN. THE
TIME YOU SPENT IN READING THIS
CAPSULE FOR ACCURACY AND CONTENT,
THE SUGGESTIONS YOU MADE AND
YOUR HELP WITH THE POST-TEST
MADE IT BETTER.

BEST COPY AVAILABLE

INTRODUCTION

Credit is not a new idea. Buying now and paying for it later has been around for a long time.

All of us at some time or another in our lives will probably buy something for which we must use credit. Whether

\$15.95

GENTS' OR LADIES'

ONLY ONE DOLLAR DOWN

...the Victoria Bicycle by express C. O. D. subject to examination ...

...and it is a genuine 1939 model High Grade \$15.95 VICTORIA, the greatest bargain you ever got at home or abroad, and you are welcomed to try each \$100.00 to \$15.00 upon this my first advertisement by other means up to \$100.00, pay your express agent the balance, \$15.00 and express charges.

THE VICTORIA is complete with a **BINDING GUARANTEE**. From \$10.00 to \$15.00 made from the finest materials. About two years from longer. Great full and beautiful. You can't get any more money or more highly as set before. Perfect polished middle, up or down two handle bars, best legs in position, and other beautiful details. For the \$15.00, the leather bag, complete with all tools and repairs. **ORDER TODAY.** For \$15.00

Send for or order a **REALITY YOUR WORLD OF \$100.00** ...

GEARS, ROEBUCK & CO. (Inc.) Fuller, Desplaines & Wayman Streets, **CHICAGO.**

For \$1.00 ...

it is our first car, a new motorcycle, a piece of farm machinery or a home, the time will probably come when we will at least consider borrowing money or using an installment payment plan. When we borrow money from a bank, a credit union, a finance company, or when we buy things using a credit card we will be paying interest on the money we borrow.

In this capsule you will be learning how to compute the interest you will be paying when you borrow money. You will also learn to compute the actual amount of money you must repay when you borrow. You will learn how to compare the cost of buying on credit and the cost of paying cash. We will also talk about some of the things that will help you to use credit wisely.

OBJECTIVES

Upon completing this capsule you will be able to:

- . identify the rate, time, principal and interest in a word problem.
- . compute simple interest.
- . compute the amount of money to be repaid on a loan.
- . read a charge account monthly statement to locate information.
- . use information on the monthly statement to compute the monthly service charge.
- . list the kinds of credit cards that people use most often.
- . explain why people use credit cards.
- . explain your attitude toward credit.
- . list concepts of using credit wisely.

SECTION ONE





WHEN YOU FINISH THIS SECTION YOU WILL BE ABLE TO
• IDENTIFY THE RATE, TIME, PRINCIPAL AND INTEREST
IN A WORD PROBLEM.

Before we get started, let's review some terms that you need to understand in order to compute interest.

PRINCIPAL

THE ACTUAL AMOUNT OF MONEY THAT IS BORROWED IS CALLED THE PRINCIPAL.

INTEREST

INTEREST IS THE COST OF USING SOMEONE ELSE'S MONEY DURING THE LENGTH OF TIME WE ARE REPAYING THE LOAN.

TIME

THE LENGTH OF TIME THAT YOU HAVE TO REPAY THE LOAN IS REFERRED TO AS THE TIME WHEN COMPUTING INTEREST. THE TIME IS USUALLY EXPRESSED IN YEARS.

RATE

THE RATE IS THE PERCENTAGE OF INTEREST THAT THE LENDER WILL CHARGE YOU.

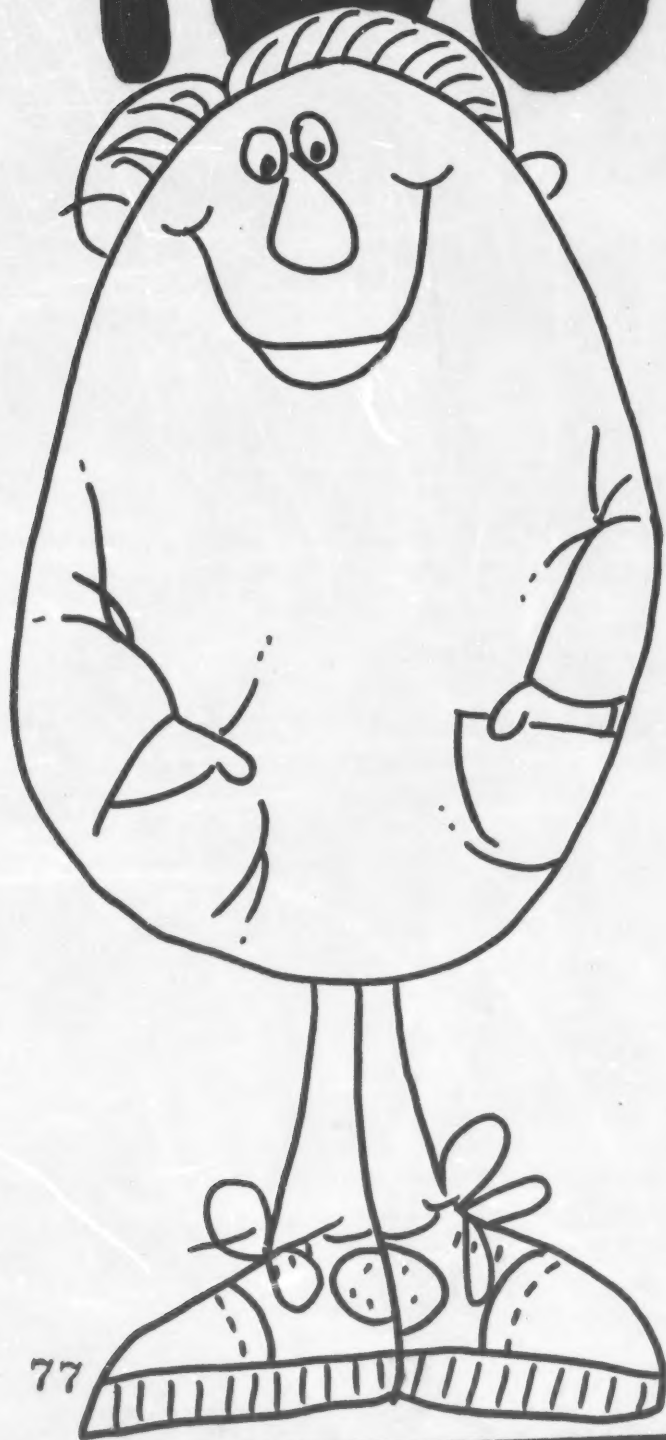
activities:

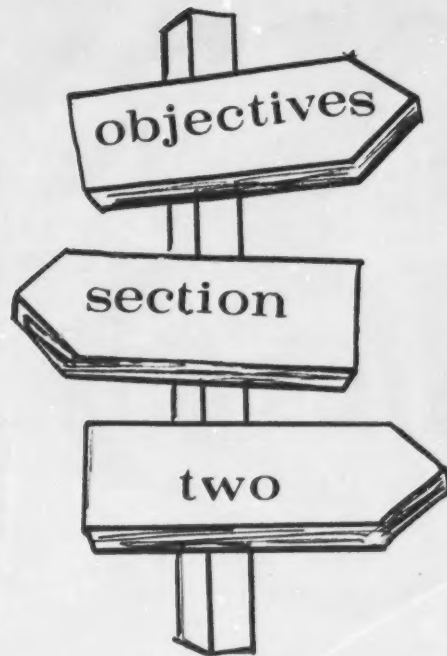
Here are some activities that will help you to be sure that you know what these words mean. Do the starred * activity and at least two other activities. Keep all of your papers until you have finished the self-check for this section, then turn in all of your work, including the self-check, to your teacher.

- * 1. Complete the worksheet, "Terms Used in Computing Interest".
Your teacher will tell you where to find this.
- 2. Look up each of the four words - time, rate, principal and interest in a dictionary or the glossary of your math book. Find the definition that relates to borrowing money. Write the word and its meaning on your paper.
- 3. Design a bulletin board which illustrates the meanings of the four words rate, time, principal and interest. Make a sketch of how your board will look. Show your sketch to your teacher. Ask your teacher if you may put up your board.
- 4. Use Vox-Com, Language Master or Tutorette cards to review the meanings of the four words rate, time, principal and interest. Your teacher will tell you where the materials you need for this activity can be found.

When you have finished the activities above, complete the Self-Check for Section One. Get the self-check from your teacher.

SECTION Two





WHEN YOU FINISH THIS SECTION YOU WILL BE ABLE TO:

- . COMPUTE SIMPLE INTEREST.
- . COMPUTE THE AMOUNT OF MONEY TO BE REPAYED
ON A LOAN.

Now that you can identify rate, time, interest and principal in problems concerning loans, you are ready to begin computing simple interest and the actual amount to be repaid on a loan.

PHIL BORROWED \$800 FROM THE BANK FOR A NEW MOTORCYCLE. THE BANK CHARGED 12% INTEREST YEARLY FOR THE USE OF THE MONEY. PHIL HAD ONE YEAR TO REPAY THE LOAN. HOW MUCH INTEREST DID PHIL PAY?

Let's use the problem above to find how to compute interest. We know from Section One that the principal is \$800, the rate is 12% and the time is 1 year.

YEARLY RATE	X	PRINCIPAL	X	TIME IN YEARS	=	INTEREST
0.12	X	\$800	X	1	=	?
					=	\$96

\$96 is the amount of interest that Phil paid on his loan.

To find the total amount that Phil must repay, we add this \$96 to the principal of \$800. This gives us a total of \$896. This is how much Phil actually had to pay back to the bank.

DID YOU GET THAT?

LET'S REVIEW TO BE SURE.

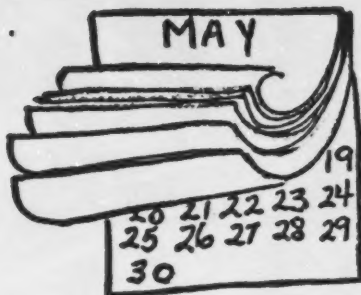
RATE	X	PRINCIPAL	X	TIME	=	INTEREST
------	---	-----------	---	------	---	----------

THAT'S WHERE WE GOT THE \$96.

PRINCIPAL	+	INTEREST	=	TOTAL AMOUNT REPAYED
-----------	---	----------	---	----------------------

THAT'S WHY WE ADDED \$800 + \$96 TO GET \$896.





Suppose Phil had decided to take 2 years to repay the loan. His principal and rate remained the same. Only the amount of time changed.

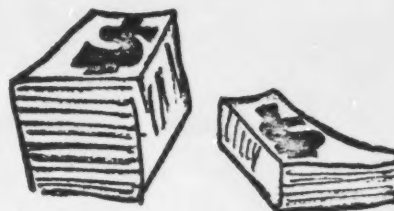
YEARLY RATE X PRINCIPAL X TIME IN YEARS

$$0.12 \quad \times \quad \$800 \quad \times \quad 2 \quad = ?$$

$$= \$192$$

THIS MEANS THAT IN TWO YEARS HE HAD TO REPAY
 $\$800 + \$192 = \$992$ FOR THE LOAN. CAN YOU SEE HOW TAKING
 MORE TIME TO REPAY THE LOAN CAN COST HIM MORE MONEY?

If Phil had wanted to reduce the amount
 of interest that he had to pay on \$800 he could
 have done so by reducing the amount of time that
 he used the money. For example, let's assume that
 Phil decided to pay off the loan in 6 months. Six months is $\frac{1}{2}$ year.
 Therefore the time in years becomes $\frac{1}{2}$.



YEARLY RATE X PRINCIPAL X TIME IN YEARS

$$0.12 \quad \times \quad \$800 \quad \times \quad \frac{1}{2} \quad = ?$$

$$= \$48$$

SO IN 6 MONTHS HE HAD ONLY TO REPAY $\$800 + \$48$ OR $\$848$.
 YOU CAN SEE THAT HE HAS REALLY SAVED MONEY BY REPAYING THE
 LOAN OVER A SHORTER LENGTH OF TIME.



Let's do some activities to practice the things
you have been learning. Complete 5 of the activities
that begin on the next page. After you finish take
your work to your teacher and get the self-check for
Section Two. Your teacher will tell you what you
should do with the self-check when you finish.



activities:

Let's practice what you have been learning. Complete 5 of the activities below. Use the Section Two Work Page for these activities. Write your answers on the spaces provided. SHOW YOUR WORK! Give your papers to your teacher when you finish. See your teacher for the Section Two Work Pages.

1. Bill Smith wants to attend technical school for two years after he finishes high school in order to be an auto mechanic. His tuition for each year is \$845. In addition he will have to pay about \$40 a year for books and \$200 for tools which he will use both years. How much money does he need for school expenses for the two years? He can get a loan at the bank for that amount at 9% interest. He will have 4 years to repay what he borrows. How much interest will he pay? How much money will he have to repay the bank for the loan?

2. Hannah York borrowed \$424 at 12% from her credit union. She agreed to repay the loan in 3 months. How much interest will she pay? What is the total amount of money that she will repay?

3. Marty Baker borrowed \$275 at 7% for 2 months. How much interest will she pay?

4. Joseph Thacker borrowed \$984 at $6\frac{1}{2}\%$. He agreed to repay the loan in 1 year. How much must he repay? If he agrees to repay the loan in 3 years, how much does he repay? Which way will be cheaper? How much can he save?

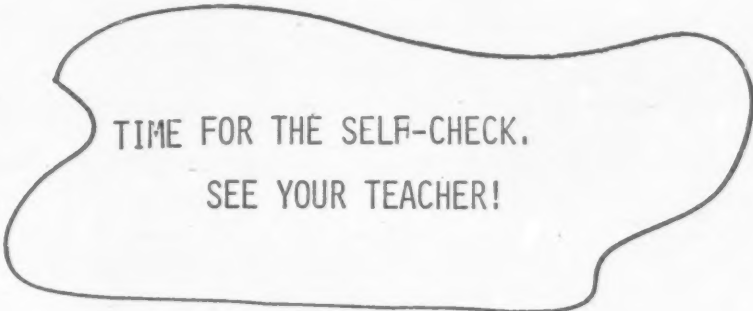
5. Spiderman needs a new costume. His tailor will charge

him \$175 for the costume. If he borrows money to pay for it at 18% interest for 4 months, how much will he end up paying for a new costume?

6. Tammy wanted to buy tickets for a Shaun Cassidy concert. Her brother promised to lend her \$18 for the tickets. She agreed to pay him 7% interest in 2 months. How much money did she have to pay her brother?

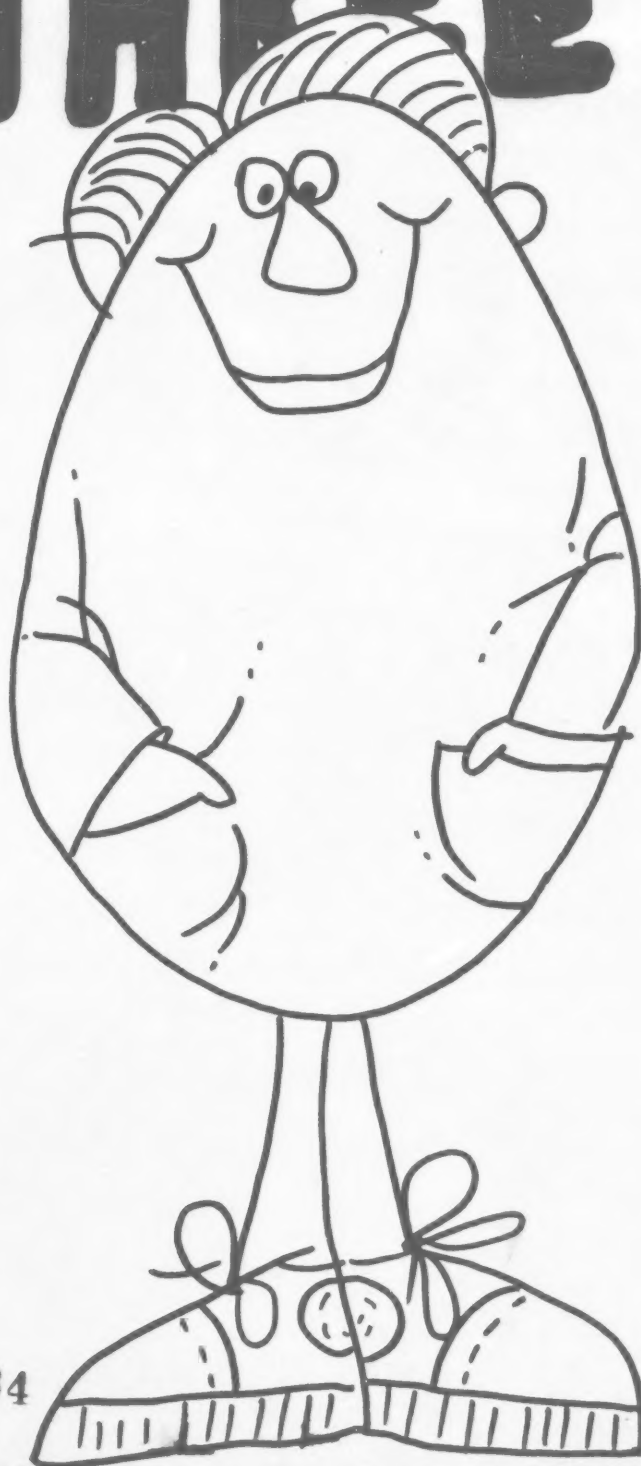
7. Think of an item you would like to buy. Find a picture of it or draw a picture of the item. Mount the picture on a sheet of paper. How much does the item cost? Write the cost beside the picture. Find out the current rate of interest that each of the following would charge you if you borrowed the money to buy the item from them: bank, credit union, finance company. On your paper compute the interest you would pay on a loan for 1 year from each of the 3 lenders listed above.

8. Make a poster which shows how to compute interest. Do all of your labeling in pencil first. Check to see that all words are spelled correctly. Be sure that your poster is neat and attractive. Can the words and numbers be seen from across the room? When you have checked all of these things, go over your lettering in felt marker or crayon.



TIME FOR THE SELF-CHECK.
SEE YOUR TEACHER!

SECTION THREE





WHEN YOU HAVE COMPLETED THIS SECTION YOU WILL BE
ABLE TO:

- . READ A CHARGE ACCOUNT MONTHLY STATEMENT TO
LOCATE INFORMATION.
- . USE INFORMATION ON THE MONTHLY STATEMENT
TO COMPUTE THE MONTHLY SERVICE CHARGE.
- . LIST THE KINDS OF CREDIT CARDS THAT PEOPLE
USE MOST OFTEN.
- . EXPLAIN WHY PEOPLE USE CREDIT CARDS.
- . EXPLAIN YOUR ATTITUDE TOWARD CREDIT.



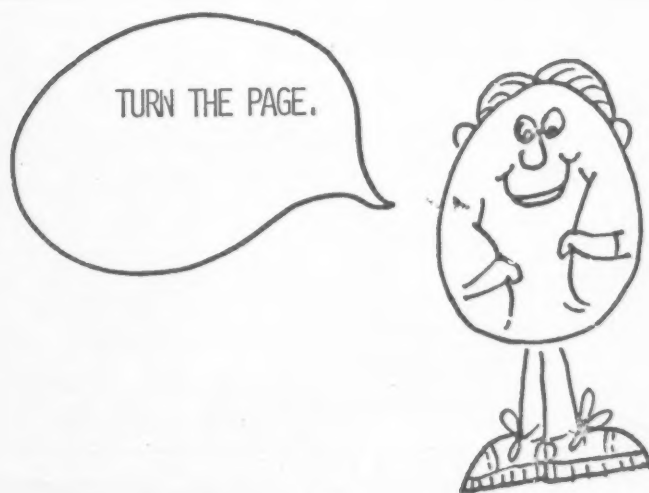
You have been learning about borrowing money in the form of a loan. This is one type of credit. Other types include installment buying and charge accounts.

Although there are several types of charge accounts available, in this capsule, we will be investigating revolving charge accounts.

Revolving charge accounts have become very popular. Any item can usually be charged. There is a limit on the total amount that can be owed to the merchant at one time. An interest charge is added to the customer's bill if the entire amount is not paid in full at the end of the month. This charge is a percentage of the unpaid balance. The unpaid balance is the amount owed on the date the customer is billed. Interest charges may be as much as $1\frac{1}{2}\%$ per month. Often a company issues a credit card to make it easier for customers to charge purchases.

THE FOLLOWING ACTIVITIES WILL HELP YOU TO LEARN ABOUT REVOLVING CHARGE ACCOUNTS. COMPETE ALL OF THE ACTIVITIES WITH STARS * AND 3 OTHERS.

WHEN YOU HAVE FINISHED, GIVE YOUR PAPERS TO YOUR TEACHER.



activities:

- *1. Interview 3 people who have credit cards. Find answers to the questions below from the interview. Write up your results.
1. What kinds of credit cards do you have? Department store?
Oil company? Bank credit card?
 2. Which kind of card do you use most often?
 3. Why do you use credit cards?
 4. What kinds of things do you charge most often?
- *2. Your teacher has several charge account statements. Using one of these, complete the worksheet, "Reading Charge Account Statements". This worksheet has a "C" in the upper right corner.
- *3. Our attitudes toward the use of credit may not always be the same. Here are some statements about credit that show attitudes that people may have. On a sheet of paper tell which one of these most nearly matches your attitude. Explain why.

CREDIT IS PLASTIC MONEY.

EASY COME - EASY GO.

I'M IN DEBT UP TO MY KNEES.

IF I CAN'T PAY CASH, I DON'T BUY IT.

BUY NOW - PAY LATER.

OUR ECONOMY WOULD COLLAPSE IF WE DIDN'T USE CREDIT.

EVERYONE USES CREDIT THESE DAYS.

IT IS NECESSARY THAT I HAVE THESE THINGS NOW, EVEN IF I HAVE TO
WAIT UNTIL LATER TO PAY.

4. Make a poster which will show a classmate how to read a charge

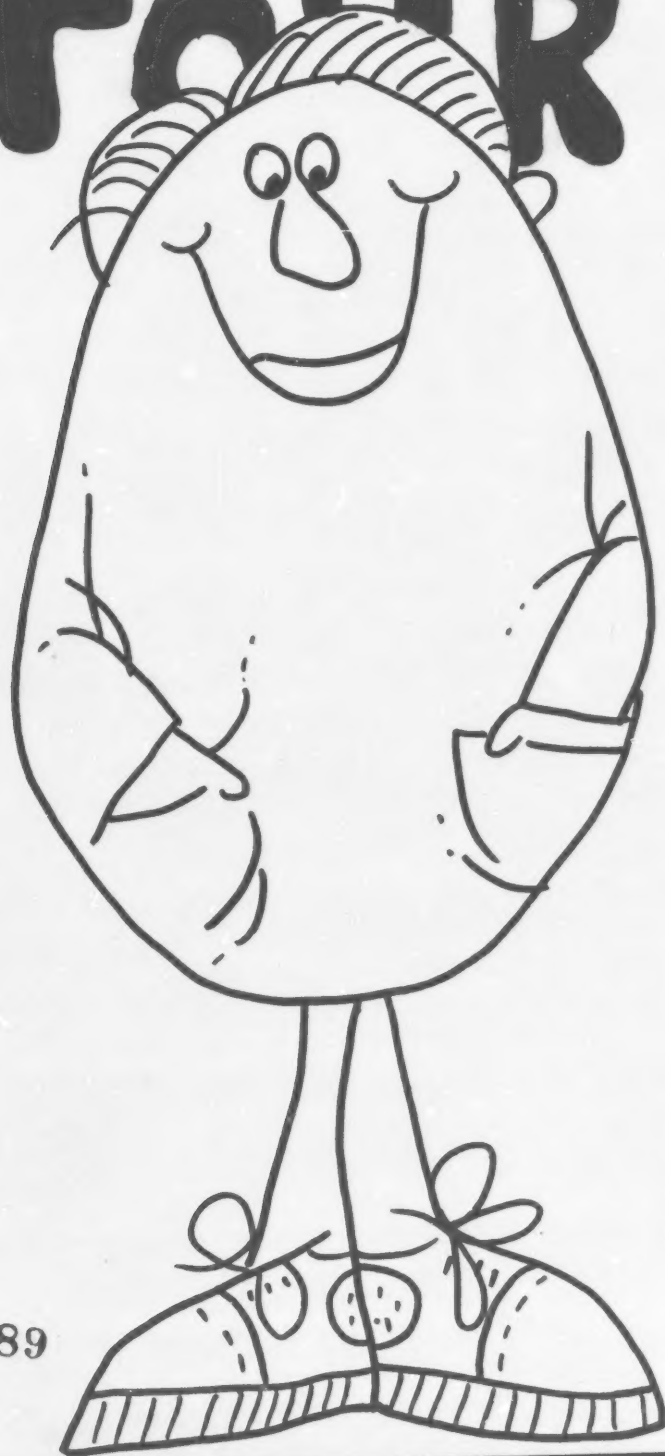


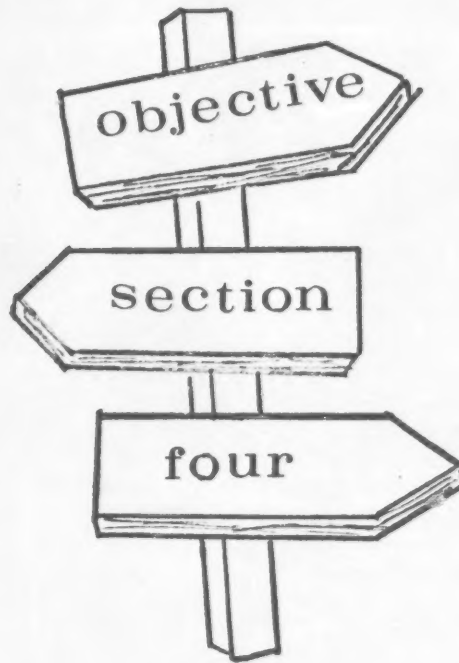
account statement.

5. Make a graph which shows the kinds of credit cards used most often by the people you and two other classmates interviewed in activity #1. If you need help in this activity, see the section on graphs on pages 20-22.
6. Develop a cartoon story which tells why people use credit cards, some advantages of credit cards and some disadvantages.
7. Interview a store manager who accepts bank charge cards such as a Mastercharge or Visa. Find the answers to these questions. Write up your results.
 1. Which credit cards do you accept?
 2. Do you sell more because you accept these cards?
 3. What other reasons do you have for accepting these cards?
 4. Are there disadvantages to accepting them? What are the disadvantages?

TAKE YOUR PAPERS FROM THIS SECTION TO YOUR TEACHER AND
GET THE SELF-CHECK FOR SECTION THREE. YOUR TEACHER WILL TELL YOU
WHAT TO DO WITH YOUR SELF-CHECK WHEN YOU ARE FINISHED.

SECTION FOUR





WHEN YOU HAVE COMPLETED THIS SECTION YOU WILL BE ABLE TO:

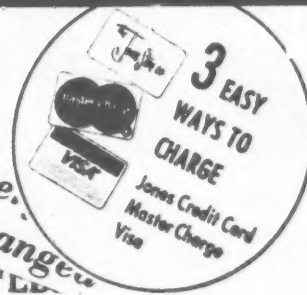
LIST CONCEPTS OF USING CREDIT WISELY.



Like it? Charge it.

Prompt Delivery.
Financing Arranged

NO MONTHLY PAYMENT TILL FEB



WHY PASS UP A GOOD BUY? APPLY FOR A CHARG-ALL ACCOUNT TO BUY IT NOW

The
Time Payment Plan
is the convenient, easy way to
budget large purchases.

YES, you can afford the most expensive
television in America. Our financing makes
it easy. BUY NOW... PAY NEXT YEAR.

Almost any newspaper you pick up will contain advertising statements like those above. These encourage you to buy now and pay for your purchases over a period of weeks, months or years. This type of buying is known as buying on the installment plan or installment buying.

Usually large, expensive items such as appliances, cars, tv sets and furniture are bought on the installment plan. You should recognize, however, that when you buy on the installment plan you are really borrowing money. You should be aware that different stores or lenders may charge different rates of interest. This means that though the cash price may be lower in one store, if you finance the purchase you may end up paying more than you realized. This is why it is important to investigate the interest you are paying before you buy.

LISTEN TO THE TAPE, NO MONEY DOWN, AND USE THE READ-ALONG BOOKLET THAT GOES WITH THE TAPE.

activities:

These activities will help you to investigate how to be a wise credit user. Choose three of the activities below. When you have finished with all three activities, turn your work in to your teacher.

1. View the filmstrip "Loans" from Credit Buying Series by Interpretive Education. Write a paragraph telling what you learned from the filmstrip.
2. Your teacher will tell you where to find a loan application for a bank loan. The Truth-in-Lending Act requires that a lender give certain information. Look back in the read-along book No Money Down to find what this information is. With a red pencil circle this information on the loan application.. (Hint: two things will be circled.)
3. Interview your parents or another adult about the importance of maintaining a good credit rating and the dangers of buying on credit. Fill out the interview form on the next page
4. Complete one of the file folder activities. Your teacher will tell you where to find these.
5. Complete worksheets C-11-5 and C-11-6 from Basic Mathematics Kit C. Your teacher will tell you where to find these.

SELF-CHECK TIME.
SEE YOUR TEACHER!

Section 4
Activity 3

INTERVIEW FORM

1. What kinds of credit have you used?

credit cards _____

loans for houses, cars, farm equipment, etc. _____

others _____

2. What are the dangers of using credit? _____

3. What are some advantages of using credit? _____

4. Why is it important to maintain a good credit rating? _____

5. What do you have to do to maintain a good credit rating? _____

Section 3

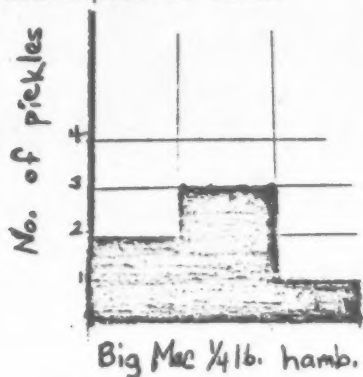
Activity 5

MAKING GRAPHS

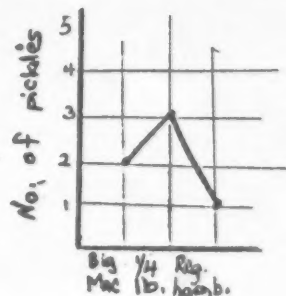
Graphs are a good way of getting information to others. They summarize a lot of information into an easy-to-understand form. You have probably used graphs before in your social study classes or if you have used Reading Labs.

The two most common types of graphs are bar graphs and line graphs.

Here are examples of each.



BAR GRAPH



LINE GRAPH

You have been asked to make a graph as one of your activities in this capsule. Let's look at how this is done.

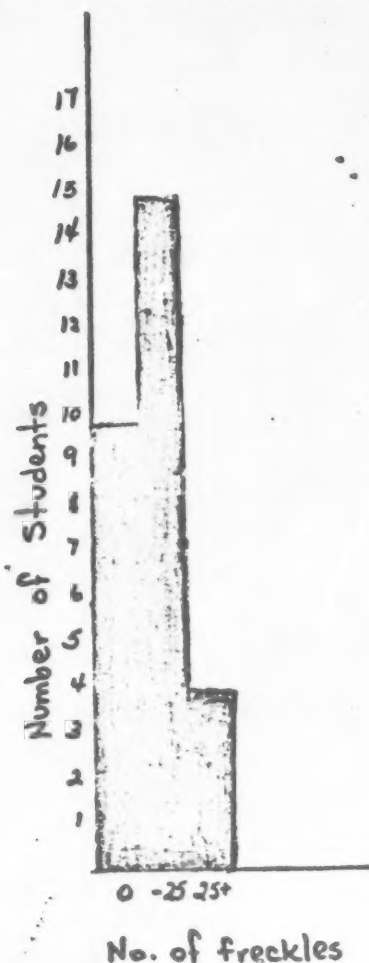
You may use a special paper called graph paper to make your graph. This paper has squares of equal size drawn on it.

Here is the information to be recorded on the graph.

Fred wanted to know the number of people in his class who had freckles on their faces. He did some research and found that 10 people had no freckles, 15 people had less than twenty-five freckles and 4 people had more than twenty-five freckles. He wanted to make a graph to show the results of his research. First he decided to make a bar graph.

He let the squares along the bottom stand for the numbers of freckles--no freckles, less than 25, or twenty-five or more. The squares along the side stood for the number of people in his class.

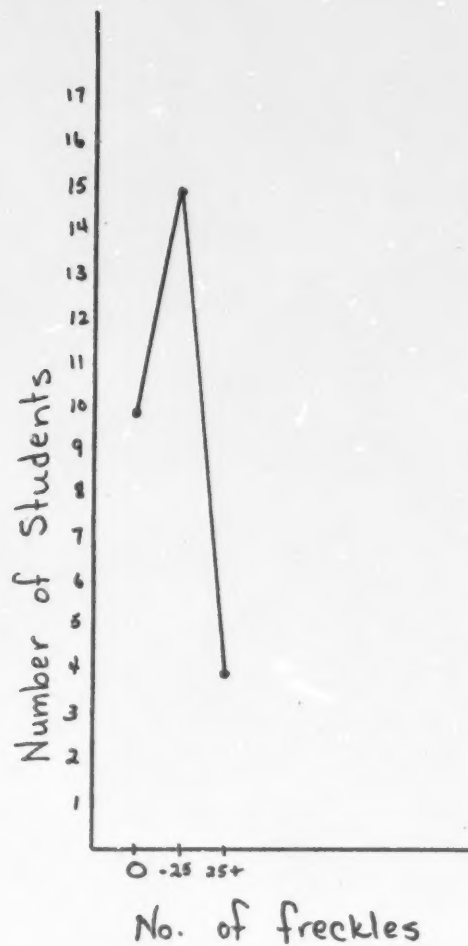
Since 10 students had no freckles he colored in all of the squares in the first column up to 10. Since 15 had less than 25, he colored in all of the squares in the second column up to 15. He shaded in the squares in the third column up to 4, since 4 students had 25 or more freckles.



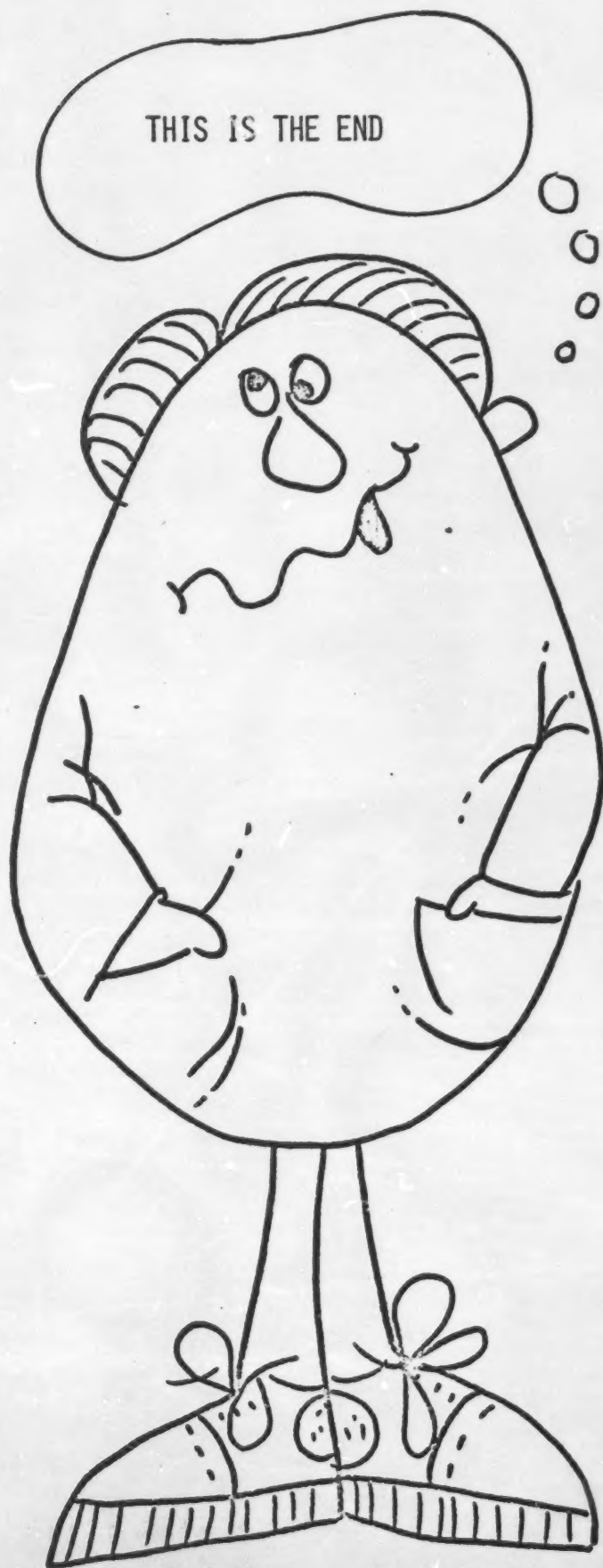
To make a line graph, he began the same way. Instead of coloring in the squares, he makes a dot at the point where the two lines cross or intersect. By tracing the line to the right of 10 and up the line at 0

he knew where to put his dot. He did the same thing for 15 & -25 and 4 & 25+. After he had his points, he used a ruler to draw lines to connect the points.

Study Fred's graphs to be sure that you understand how to make your own.



These are not the only kinds of graphs that you can make. You can find information in your math book or in the library about circle graphs and other types of graphs.



ASK YOUR TEACHER FOR
THE POST-TEST

Quest

CONGRATULATIONS! Your teacher obviously thinks that you have done a terrific job on this capsule. You may now choose to do one or more of the Quest activities. If you choose to do a Quest activity, you should complete the contract on the next page. Fill in all blank spaces, sign the contract and give it to your teacher. Look on page 23 to find the Quest choices.

On the next page is a copy of a loan agreement that came through the mail. This was not a loan for which some had applied. It was a method that the company used to get people to borrow money from their company. Study the loan agreement carefully. Pay particular attention to the information on the back under the heading, "Consumer Credit Protection Act". Remember the things that this act guarantees? Are all of these things included in this agreement?

How can this lender afford to lend you this amount of money with only your signature and collateral? (Hint: Do you know what collateral means? Where can you find out?) Suppose that you are a secretary with an income of \$175 a week. Your expenses are \$425 a month. Can you afford this loan? Telephone a loan company. Ask if they solicit loans by mail. Do they get many people who respond to mail solicitations?

ON A SHEET OF PAPER ANSWER THE QUESTIONS ABOVE. WRITE A PARAGRAPH TELLING WHAT YOU LEARNED AS A RESULT OF YOUR TELEPHONE INTERVIEW WITH THE LOAN COMPANY.

FRIENDLY LOAN COMPANY

CASH VOUCHER

GOOD FOR A GUARANTEED
LOAN IN THE AMOUNT OF:

\$203.23

NOT
TRANSFERABLE

The undersigned understands that the signing of this Cash Voucher evidences the making of a loan and obligates the undersigned to the lender named on the reverse side hereof. I/We agree to the terms of the agreement on the reverse side hereof and acknowledge receipt of a copy thereof.

JOHN DOE
ANYWHERE, KANSAS

Issued exclusively to the person(s) whose name(s) appear(s) to the left.

Effective date of this guaranteed offer:

NOV 1 1978

Offer expires 90 days from this date.

(Signature)

(Signature)

(Date)

(Phone)

GUARANTEE The same day this voucher, properly signed, is received by your check will be mailed to you. This offer is void if you presently have a loan with a office.
Loan is repayable in small monthly instalments to fit your budget. See reverse side for conditions of loan agreement.

HOW TO GET CASH FOR THIS VOUCHER:

DO NOT DETACH

1.

Sign at left and on the reverse side. (Where offer is made jointly, all parties must sign. If married, each spouse may apply for separate credit.)

2.

Enter date you signed this agreement and your phone number.

3.

Mail this voucher to Friendly
For faster service, present to the
Friendly Manager in person.

DO NOT DETACH

DETACH AND RETAIN THE COPY OF THE AGREEMENT FOR YOUR RECORDS

BEST COPY AVAILABLE

FRIENDLY LOAN COMPANY Anywhere, Kansas

CONSUMER CREDIT PROTECTION ACT

Since its founding in 1914, *Friendly* has been a leader in protecting the borrowing public from excessive charges — and has encouraged the passage of laws and regulations in this spirit. *Friendly* tells you the cost of your loan outright. Always has, always will.

This loan is repayable in 24 equal monthly instalments of \$12.00 each. Amount Financed: \$203.23. Finance Charge: \$84.77. Annual Percentage Rate: 36.00%. Total of Payments: \$288.00.

AGREEMENT:

FOR VALUE RECEIVED, the persons executing the Cash Voucher on the reverse side hereof, hereafter referred to as "Borrowers" jointly and severally promise to pay to the Lender named above, at its office, the amount shown above as the "Total of Payments" which is the sum of the principal and actual amount of loan hereafter designated "Amount Financed" and set forth above and the Finance Charge shown above. The Total of Payments is payable in monthly instalments of principal and charges combined and the number and amount of such instalments being shown above. The first instalment shall begin one month and two days after the date the proceeds of the loan are disbursed by the Lender via the United States Mail, which date shall be the date of loan, notwithstanding the date this instrument is executed, and subsequent instalments shall be due on the same day of each succeeding month thereafter until the loan is paid in full. The final instalment due date shall be 24 months from the date of loan.

If this note is not paid in full on the final due date, or the deferred final due date, if any, the unpaid balance of the Amount Financed shall bear interest thereafter at said agreed monthly rate.

The Finance Charge has been precomputed at the agreed monthly rate of charge of 3% per month on scheduled monthly unpaid principal balances of this note on the basis that instalments of principal and charges combined are applied first to charges to the scheduled date of instalment and then to principal.

In the event of default in the payment of the full amount of any scheduled instalment for more than ten (10) days, the Lender may charge a delinquency charge equal to 5% of the unpaid amount of such instalment up to a maximum of \$2.50 for any instalment.

Payment in advance may be made thereon in any amount at any time and a refund of a portion of the Finance Charge shall be made, in the event of a prepayment in full, subject to the right of the Lender to retain \$7.50 as a minimum charge if the earned Finance Charge is \$7.50 or less, as provided by Section 16a-2-510(2) of the Kansas Uniform Consumer Credit Code.

Provision also is made for the charging and collection of a Deferral Charge computed on the amount deferred for the period of deferral at a rate not ex-

ceeding the Annual Percentage Rate shown above. Said Delinquency Charge and Deferral Charge shall be collected in accordance with the provisions of Sections 16a-2-502 and 16a-2-503 of said Credit Code described with more particularity in a Statement of Disclosure which shall be delivered to the Borrowers together with a copy of this note.

In the event an instalment remains unpaid for a period of 10 days or more after the instalment due date, as originally scheduled or as deferred, the Lender may consider this note to be in default and, if required by Section 16a-5-111, Kansas Statutes Annotated, give the Borrowers written notice of such default and the Borrower's right to cure such default by tendering to the Lender the amount of all unpaid instalments plus accrued delinquency charges, if any, to the Lender within 20 days after the giving of such notice. If such default is not cured within 20 calendar days after mailing such notice by the tender of the aforesaid unpaid instalments plus any unpaid delinquency charges, the Lender, at its option and without further notice or demand, may declare the full amount of the unpaid balance due hereon to be due and payable. In the event two or more full instalments are in default for 10 days or more, the Lender, at its option, may reduce the then unpaid balance of the Total of Payments by the rebate of a portion of the Finance Charge which would be required for prepayment in full on the maturity date of the first delinquent instalment, not reduced by the amount of any permitted minimum charge. In addition any delinquency charges or deferral charges made with respect to all instalments due after the maturity date of said first delinquent instalment shall be rebated to the Borrowers. Thereafter the Lender shall collect charges computed on unpaid principal balances from time to time outstanding at the above stated agreed monthly rate until this note is paid in full.

It is agreed that the validity and construction of this agreement shall be determined under and by virtue of the laws of the State of Kansas. Extension of the time of payment of all or any part of the amount owing hereon at any time or times shall not affect the liability of any party hereto. The Borrowers severally waive demand and presentment for payment, notice of nonpayment, notice of protest of this instrument and also waive any and all rights of exemption.

If only one person signs this agreement, all references to "persons" or "Borrowers" are to be considered in the singular.

The undersigned acknowledge receipt of a copy of this note either as maker or accommodation maker (excluding spouse of borrower).

NOTICE TO CONSUMER: (A) Do not sign this agreement before you read it. (B) You are entitled to an exact copy of this agreement. (C) You may prepay the unpaid balance at any time without penalty.

(Signature)

(Signature)

A & P 3006 KANSAS — Ed. 9-76

The following is a copy of the note evidencing this loan printed on the reverse side of the Cash Voucher Agreement:

CONSUMER CREDIT PROTECTION ACT

Since its founding in 1914, *Friendly* has been a leader in protecting the borrowing public from excessive charges — and has encouraged the passage of laws and regulations in this spirit. *Friendly* tells you the cost of your loan outright. Always has, always will.

This loan is repayable in 24 equal monthly instalments of \$12.00 each. Amount Financed: \$203.23. Finance Charge: \$84.77. Annual Percentage Rate: 36.00%. Total of Payments: \$288.00.

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thereafter at said agreed monthly rate.

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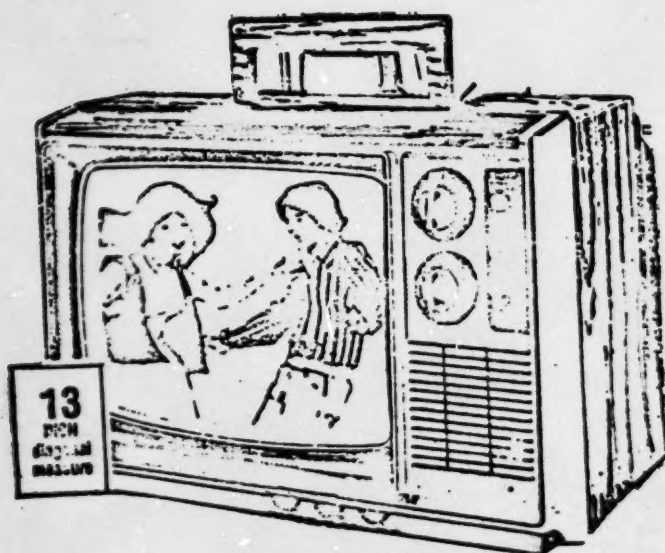
The undersigned acknowledge receipt of a copy of this note either as maker or accommodation maker (excluding spouse of borrower).

NOTICE TO CONSUMER: (A) Do not sign this agreement before you read it. (B) You are entitled to an exact copy of this agreement. (C) You may prepay the unpaid balance at any time without penalty.

NO MONEY DOWN!



SALE



REG. \$199.50

NOW \$150

Use our INSTANT CREDIT

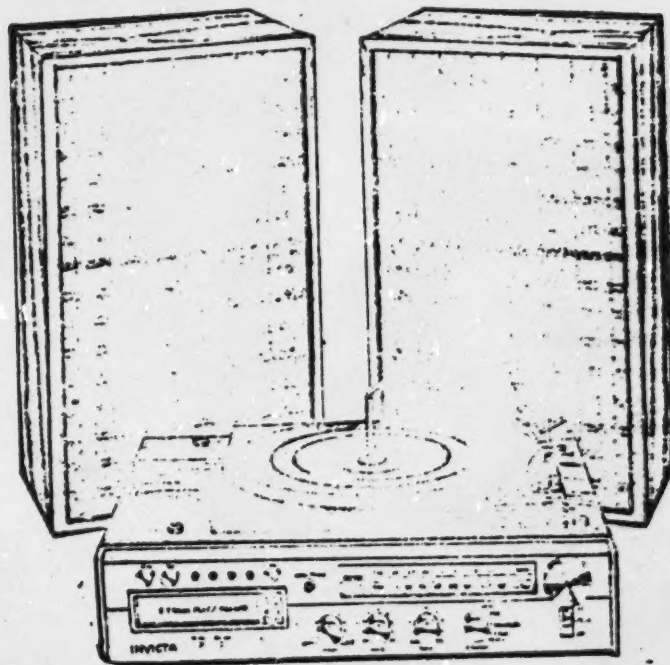
No money down-

\$6.00 a month

HOW MANY MONTHS?
HOW MUCH IN ALL ?



SALE



\$119.88

Easy Payment Plan

\$10 down -- \$12 per month for 12 mos.

THIS WEEK ONLY!

\$12 A MONTH **X** **12** MOS. = **144**

+

\$10 DOWN PAYMENT

\$154.00

-
119.88

\$34.12 INTEREST

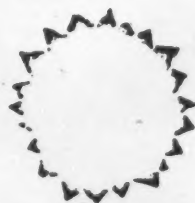


CREDIT CONTRACT

wherein the said credit contract is made
and the said credit contract is made
between the said credit contract and the said credit contract

the said credit contract is made
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Henry J. Jones
John J. Jones







TRUTH IN LENDING LAW

- THE ANNUAL RATE OF INTEREST
- THE ANNUAL AMOUNT OF \$\$ OF INTEREST
- THE TOTAL NUMBER OF \$\$ THAT MUST BE PAID AS A FINANCE CHARGE

THIS INFORMATION MUST APPEAR ON THE INSTALLMENT CONTRACT.

AND

BORROWER MUST BE TOLD THIS INFORMATION BEFORE HE SIGNS CONTRACT.

